

**BNK FINANCIAL GROUP INC.
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2020 and 2019**

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

BNK FINANCIAL GROUP INC.

BNK Financial Group Inc. and its Subsidiaries
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INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 18, 2021

To the Shareholders and the Board of Directors of
BNK Financial Group Inc.

Audit Opinion

We have audited the consolidated financial statements of BNK Financial Group Inc. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Measurement of the allowances for credit losses for loans measured at amortized cost

Reasons why the matter was determined to be a key audit matter

As discussed in the Notes 2,3,4 and 12 to the consolidated financial statements, the Group recognized the expected credit losses for loans measured at amortized cost in accordance with K-IFRS 1109 *Financial Instruments*. Expected Credit Losses in accordance with K-IFRS 1109 *Financial Instruments* requires to determine of whether significant increases in credit risk and reflect forward-looking information when measuring expected credit losses.

The Group calculates expected credit losses for loans by collective assessment or individual assessment. Expected credit losses by collective assessment are calculated based on various assumptions, such as the results of assessment for the borrower's credit rating, whether significant increase in credit risk, calculation and application of probability of default and loss given default, and the reflection of forward-looking information considering multiple possible scenarios. Especially, management analyzes the correlation between macroeconomic indicators and past probability of default to reflect forward-looking information, and based on this analysis, selects a model that reflects forward-looking information and considers scenarios for possible forward-looking information. Management's estimations and judgments are involved in this process.

In addition, the Group measures allowances for credit losses on individual basis among individually significant corporate loans, when credit is impaired or certain requirements are met, such as significant increase in credit risk after initial recognition and impairment of capital. The Group measures expected credit losses based on the estimates of future recoverable cash flows, including collateral value In the process of individual assessment.

We determined measurement of allowances for expected credit losses for loans as a key audit matter, as the management's significant judgments are involved in the reflection of forward-looking information on collective assessment and estimating future recoverable cash flows on individual assessment.

The Group's loan measured at amortized cost is ₩86,952,039 million, and related loan loss allowances is ₩744,454 million.

How we addressed the Key Audit Matter in our audit procedures

(1) Measurement allowances for credit losses reflecting forward-looking information in the collective assessment

We obtained an understanding of the process and internal control of measuring loss allowances in the collective assessment in accordance with impairment requirements under K-IFRS 1109 *Financial Instruments*. In particular, we have assessed whether the methodology of reflecting forward-looking information to the loss allowances in the collective assessment by the management is reasonable.

We reconcile the macroeconomic indicators used in reflection of forward-looking information by the management with external information to verify the accuracy of the indicators.

We used credit risk specialists to reperform statistical analysis of the correlation between macroeconomic indicators used by management and past probability of default and verified the adequacy of the process and basis for the management's judgment regarding the selection of the model to reflect forward-looking information. In addition, we recalculated the adjustment factor to reflect the result of the model for reflecting forward-looking information determined by the management to the allowances for credit losses.

(2) Measurement of allowances for credit losses on individual assessment

We obtained an understanding of the process and internal control related to individual assessment. When the management assumed collateralized cash flows on estimating future cash flows, we assessed the Group's rights to collateral through external inquiries or document inspection on the certificate of collateral rights. To verify appropriateness of collateral valuation for future collateral cash flows, we conducted our own research on most recent auction information and property prices and engaged independent appraisal specialists. In addition, we have verified that the assumptions, such as the collection period and the winning bid rate, that the management applied to determine future cash flows are reasonable.

Other Matter

The consolidated financial statements as of and for the year ended December 31, 2019, have been audited by Samil PwC, in accordance with the KSAs, whose report dated March 12, 2020, expressed an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as they determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management of the Group is responsible for assessing the Group's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting, unless management either intends to liquidate the Group or cease operations, has no realistic alternative, but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We are solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audits of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partner on the audit resulting in this independent auditors' report is Jae Chul Park.

Deloitte Injin LLC

March 18, 2021

Notice to Readers

This report is effective as of March 18, 2021, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditors' report.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020, AND 2019

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the management of BNK Financial Group Inc.

Ji Wan Kim
President and Chief Executive Officer

Headquarters Address: (Road Name and Address) 30, Munhyeongeumyung-ro, Nam-gu,
Busan
(Phone Number) 051-642-3300

BNK Financial Group Inc. and its Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2020 and 2019

<i>(In millions of Korean won)</i>	Notes	2020	2019
Assets			
Cash and due from banks	4,6,7,42	₩ 4,505,069	₩ 4,148,499
Financial assets at fair value through profit or loss	4,6,8,11	4,583,427	3,839,224
Financial assets at fair value through other comprehensive income	4,6,9,13	5,349,830	5,267,070
Financial assets at amortized cost	4,6,10,13	7,877,347	7,534,761
Loans and receivables	4,6,12,13,14	87,700,654	80,657,226
Derivative assets	4,6,15	79,026	35,960
Investments in associates and joint venture	16	664,432	551,108
Property and equipment	17	1,172,675	977,628
Intangible assets	18	278,636	266,377
Investment properties	19	665,348	224,182
Other assets	20	1,280,427	1,036,736
Total assets		<u>₩ 114,156,871</u>	<u>₩ 104,538,771</u>
Liabilities			
Deposit liabilities	4,6,21	₩ 83,032,717	₩ 76,609,540
Borrowings	4,6,22	6,835,743	5,079,228
Debentures	4,6,23	11,247,990	10,185,756
Derivative liabilities	4,6,15	64,542	42,540
Net defined benefit liabilities	24	57,462	84,536
Provisions	25,39	83,844	45,258
Current tax liabilities	37	86,238	103,589
Deferred tax liabilities	37	27,030	61,435
Other liabilities	4,6,26	3,095,023	3,145,719
Total liabilities		<u>104,530,589</u>	<u>95,357,601</u>
Equity			
Equity attributable to owners of the Parent Company			
Share capital	27	1,629,676	1,629,676
Hybrid equity securities	27	827,392	707,874
Other paid-in capital	27	779,263	786,783
Other components of equity	27	(68,530)	(32,524)
Retained earnings	27	5,561,025	5,191,904
		8,728,826	8,283,713
Non-controlling interest		<u>897,456</u>	<u>897,457</u>
Total equity		<u>9,626,282</u>	<u>9,181,170</u>
Total liabilities and equity		<u>₩ 114,156,871</u>	<u>₩ 104,538,771</u>

See notes to consolidated financial statements

BNK Financial Group Inc. and its Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2020 and 2019

<i>(In millions of Korean won, except per share amounts)</i>	Notes	2020	2019
Net interest income (expenses)	28		
Interest income			
Financial assets at fair value through profit or loss		₩ 56,151	₩ 58,856
Financial asset at fair value through other comprehensive income and amortized cost		3,247,401	3,570,405
		3,303,552	3,629,261
Interest expenses		(1,119,012)	(1,442,487)
		2,184,540	2,186,774
Net fee and commission income	29		
Commission income		504,736	369,971
Commission expenses		(141,003)	(123,534)
		363,733	246,437
Gain on financial assets at fair value through profit or loss	30	123,598	101,501
Gain on financial assets at fair value through other comprehensive income	31	38,799	18,327
Loss on financial assets at amortized cost	32	(1,403)	(310)
Contribution to provision for credit loss and others	33		
Contribution to provision for credit loss		(448,589)	(423,693)
Gain on disposal of loans		80,998	99,423
General and administrative expenses	34	(1,436,728)	(1,273,365)
Other operating income (expenses)	15,35		
Gain on foreign currency transaction		54,799	34,701
Gain from derivatives		(2,184)	29,425
Other operating income		386,470	321,483
Other operating expenses		(595,842)	(533,821)
Operating profit		748,191	806,882
Non-operating income (expenses)	36		
Share of profit of associates		21,506	14,738
Other income		46,215	33,776
Other expenses		(81,494)	(62,023)
		(13,773)	(13,509)
Profit before income tax expense		734,418	793,373
Income tax expense	37	(171,862)	(194,428)
Profit for the year	5,38	₩ 562,556	₩ 598,945
Profit is attributable to:			
Owners of the Parent Company		519,316	562,224
Non-controlling interest		43,240	36,721

(Continued)

BNK Financial Group Inc. and its Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2020 and 2019

<i>(In millions of Korean won, except per share amounts)</i>	Notes	2020	2019
Other comprehensive income, net of tax	27		
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit liabilities		1,832	(12,119)
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income		(24,823)	7,084
<i>Items that may be subsequently reclassified to profit or loss</i>			
Gain (loss) on valuation of debt instruments at fair value through other comprehensive income		(2,704)	20,085
Exchange differences on translation of foreign operations		(18,436)	5,837
Gain (loss) on valuation of hedges of net investments in foreign operations		8,557	(2,560)
Share of other comprehensive income of associates		(1,001)	(34)
Impairment loss of debt instruments at fair value through other comprehensive income		539	318
Other comprehensive income (loss) for the year, net of tax		(36,036)	18,611
Total comprehensive income for the year		₩ 526,520	₩ 617,556
Total comprehensive income for the year is attributable to:			
Owners of the Parent Company	₩	483,280	₩ 580,834
Non-controlling interests		43,240	36,722
Earnings per share (in Korean won)			
Basic and diluted earnings per share	38 ₩	1,498	₩ 1,647

See notes to consolidated financial statements

BNK Financial Group Inc. and its Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2020 and 2019

	Attributable to owners of the Parent Company															
(In millions of Korean won)	Share capital		Hybrid equity securities		Other paid-in capital		Other components of equity		Retained earnings		Total	Non-controlling interests	Total equity			
Balance at January 1, 2019	₩	1,629,676	₩	508,521	₩	786,783	₩	(51,005)	₩	4,753,002	₩	7,626,977	₩	797,983	₩	8,424,960
Dividends		-		-		-		-		(97,776)		(97,776)		-		(97,776)
Issuance of hybrid equity securities		-		199,353		-		-		-		199,353		99,667		299,020
Dividends on hybrid equity securities		-		-		-		-		(25,496)		(25,496)		(36,722)		(62,218)
Others		-		-		-		-		(180)		(180)		(194)		(374)
Total comprehensive income																
Profit for the year		-		-		-		-		562,225		562,225		36,722		598,947
Other comprehensive income																
Remeasurements of net defined benefit liabilities		-		-		-		(12,119)		-		(12,119)		-		(12,119)
Gain on valuation of financial assets at fair value through other comprehensive income		-		-		-		27,169		-		27,169		-		27,169
Gain (loss) on disposal of equity instruments at fair value through other comprehensive income		-		-		-		(129)		129		-		-		-
Gain on overseas operations translation		-		-		-		5,837		-		5,837		-		5,837
Loss on valuation of hedges of net investments in foreign operations		-		-		-		(2,560)		-		(2,560)		-		(2,560)
Share of other comprehensive income of associates		-		-		-		(34)		-		(34)		-		(34)
Impairment loss of debt instruments at fair value through other comprehensive income		-		-		-		318		-		318		-		318
Balance at December 31, 2019	₩	1,629,676	₩	707,874	₩	786,783	₩	(32,523)	₩	5,191,904	₩	8,283,714	₩	897,456	₩	9,181,170
Balance at January 1, 2020	₩	1,629,676	₩	707,874	₩	786,783	₩	(32,523)	₩	5,191,904	₩	8,283,714	₩	897,456	₩	9,181,170
Dividends		-		-		-		-		(117,331)		(117,331)		-		(117,331)
Issuance of hybrid equity securities		-		348,925		-		-		-		348,925		-		348,925
Issuance of hybrid equity securities		-		(229,407)		(593)		-		-		(230,000)		-		(230,000)
Repayment of hybrid equity securities		-		-		-		-		(32,834)		(32,834)		(43,240)		(76,074)
Acquisition of treasury shares		-		-		(6,997)		-		-		(6,997)		-		(6,997)
Sale of treasury shares		-		-		70		-		-		70		-		70
Total comprehensive income																
Profit for the year		-		-		-		-		519,315		519,315		43,240		562,555
Other comprehensive income																
Remeasurements of net defined benefit liabilities		-		-		-		1,832		-		1,832		-		1,832
Loss on valuation of financial assets at fair value through other comprehensive income		-		-		-		(27,527)		-		(27,527)		-		(27,527)
Gain (loss) on disposal of equity instruments at fair value through other comprehensive income		-		-		-		29		(29)		-		-		-
Loss on overseas operations translation		-		-		-		(18,436)		-		(18,436)		-		(18,436)
Gain on valuation of hedges of net investments in foreign operations		-		-		-		8,557		-		8,557		-		8,557
Share of other comprehensive income of associates		-		-		-		(1,001)		-		(1,001)		-		(1,001)
Impairment loss of debt instruments at fair value through other comprehensive income		-		-		-		539		-		539		-		539
Balance at December 31, 2020	₩	1,629,676	₩	827,392	₩	779,263	₩	(68,530)	₩	5,561,025	₩	8,728,826	₩	897,456	₩	9,626,282

See notes to consolidated financial statements

BNK Financial Group Inc. and its Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

(In millions of Korean won)

	2020	2019
Cash flows from operating activities		
Profit for the year	₩ 562,556	₩ 598,947
Adjustments to profit for the year:		
Interest income	(3,303,552)	(3,629,261)
Interest expense	1,119,012	1,442,487
Gain on financial assets at fair value through profit or loss, net	(29,699)	(31,905)
Gain on financial assets at fair value through other comprehensive income, net	(38,799)	(18,327)
Loss on financial assets at amortized cost, net	1,403	310
Contribution to provision for credit loss	448,589	423,693
Gain on foreign currency translation	(40,113)	(5,305)
Gain on valuation of derivatives, net	(19,620)	(22,919)
Depreciation	95,093	96,504
Amortization	66,243	73,652
Postemployment benefits	69,392	64,738
Other operating expenses, net	245,675	204,157
Share of profit of associates	(21,506)	(14,738)
Loss (gain) on property and equipment, and intangible assets	510	(820)
Other non-operating expenses, net	19,594	-
Income tax expense	171,862	194,428
	<u>(1,215,916)</u>	<u>(1,223,306)</u>
Changes in operating assets and liabilities:		
Increase in due from banks	(353,328)	(931,073)
Increase in financial assets at fair value through profit or loss	(469,427)	(605,428)
Increase in loans and receivables	(7,801,258)	(3,427,462)
Decrease (increase) in derivative assets and liabilities	(1,159)	2,600
Increase in other assets	(468,991)	(502,869)
Increase in deposit liabilities	6,476,230	3,236,407
Decrease in provisions	(2,047)	(83)
Increase in other liabilities	324,092	258,895
Decrease in defined benefit obligation	(25,909)	(31,205)
Increase in plan assets	(67,522)	(36,702)
	<u>(2,389,319)</u>	<u>(2,036,920)</u>
Interest received	3,399,685	3,702,382
Dividend received	15,625	10,978
Interest paid	(1,272,084)	(1,426,206)
Income tax paid	(211,878)	(114,507)
Net cash outflow from operating activities	<u>(1,111,331)</u>	<u>(488,632)</u>

(Continued)

BNK Financial Group Inc. and its Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

(In millions of Korean won)

	2020	2019
Cash flows from investing activities		
Proceeds from disposal of financial assets at fair value through profit or loss	₩ 3,770,807	₩ 7,714,911
Payments for financial assets at fair value through profit or loss	(3,986,313)	(7,492,298)
Proceeds from disposal of financial assets at fair value through other comprehensive income	3,630,044	3,071,686
Payments for financial assets at fair value through other comprehensive income	(3,725,179)	(3,239,632)
Proceeds from disposal of financial assets at amortized cost	1,479,198	1,215,452
Payments for financial assets at amortized cost	(1,814,105)	(1,934,463)
Proceeds from disposal of investments in associates	235,397	236,748
Payments for investments in associates	(368,190)	(263,475)
Proceeds from disposal of property and equipment	2,648	4,535
Payments for property and equipment	(86,388)	(109,240)
Proceeds from disposal of intangible assets	412	73
Payments for intangible assets	(57,644)	(58,835)
Payments for investment properties	(656,734)	(3)
Net cash flows from business combinations	-	(7,600)
Decrease in leasehold deposits provided	20,311	9,285
Net cash outflow from investing activities	(1,555,736)	(852,856)
Cash flows from financing activities		
Increase in borrowings	13,069,222	7,948,167
Decrease in borrowings	(11,140,921)	(8,559,896)
Issuance of debentures	4,038,511	3,859,754
Repayment of debentures	(2,971,550)	(2,300,000)
Payments of lease liabilities	(27,043)	(28,658)
Dividends paid to shareholders	(117,331)	(97,776)
Issuance of hybrid equity securities	348,925	199,353
Repayment of hybrid equity securities	(230,000)	-
Dividends paid on hybrid equity securities	(32,834)	(26,755)
Acquisition of treasury shares	(6,997)	-
Disposal of treasury shares	70	-
Increase in non-controlling interests	-	99,667
Dividends paid to non-controlling interests	(43,240)	(36,096)
Increase (decrease) in other liabilities	(198,565)	281,705
Net cash inflow from financing activities	2,688,247	1,339,465
Net increase (decrease) in cash and cash equivalents	21,180	(2,023)
Cash and cash equivalents at the beginning of the year	1,150,293	1,145,630
Effects of exchange rate changes on cash and cash equivalents	(18,681)	6,686
Cash and cash equivalents at the end of the year	₩ 1,152,792	₩ 1,150,293

See notes to consolidated financial statements

BNK Financial Group Inc. and its Subsidiaries

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2020 and 2019

1. GENERAL INFORMATION:

General information of BNK Financial Group Inc. ("BNK Financial Group" or the "Parent Company"), which is a controlling entity in accordance with K-IFRS 1110 *Consolidated Financial Statements*, and its subsidiaries (collectively referred to as the "Group"), is as follows:

1.1 BNK Financial Group

BNK Financial Group was incorporated on March 15, 2011, in accordance with the provisions of the Financial Holding Company Act, whereby holders of the ordinary share of Busan Bank; BNK Securities Co., Ltd.; BNK Capital Co., Ltd.; and BNK Credit Information Co., Ltd. transferred all of their shares to the Parent Company, and in return received shares of the Parent Company's ordinary share in order to control, manage and provide financial support to subsidiaries engaged in financial business or financial industry-related subsidiaries. Meanwhile, BNK Financial Group established BNK Information System Co., Ltd. and BNK Savings Bank Co., Ltd. as its subsidiaries with 100% investment in 2011. The Parent Company obtained control of Kyongnam Bank by acquiring 56.97% of its shares in October 2014, and ultimately acquired 100% of shares of Kyongnam Bank through comprehensive exchange of shares on June 4, 2015. In July 2015, the Parent Company also obtained 51.01% of shares in BNK Asset Management Co., Ltd., and established it as its subsidiary through paid-in capital increase and acquisition of ownership. In December 2017, the Parent Company took over the rest of BNK Asset Management Co., Ltd.'s shares; accordingly, it became a wholly owned subsidiary. In November 2019, the Parent Company also obtained 100% of shares in BNK Venture Capital Co., Ltd. and established it as a wholly owned subsidiary. The headquarters of BNK Financial Group is located at Busan Nam-gu Munhyeongeumyu-ro, 30. Meanwhile, the Parent Company's share capital as of December 31, 2020, amounts to ₩1,629,676 million with 325,935,246 outstanding shares.

1.2 Consolidated Subsidiaries

Details of the consolidated subsidiaries as of December 31, 2020 and 2019, are as follows:

Name of subsidiary	Industry	Location	Closing month	Ownership interests (%)	
				2020	2019
BNK Financial Group:					
Busan Bank Co., Ltd.	Banking	Korea	December 31	100.00	100.00
Kyongnam Bank Co., Ltd.	Banking	Korea	December 31	100.00	100.00
BNK Capital Co., Ltd.	Specialized credit financial business	Korea	December 31	100.00	100.00
BNK Securities Co., Ltd.	Investment brokerage and trading	Korea	December 31	100.00	100.00
BNK Savings Bank Co., Ltd.	Saving bank services	Korea	December 31	100.00	100.00
BNK Asset Management Co., Ltd.	Financial advisory and collective investment	Korea	December 31	100.00	100.00
BNK Credit Information Co., Ltd.	Credit investigation and collection agency	Korea	December 31	100.00	100.00

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Name of subsidiary	Industry	Location	Closing month	Ownership interests (%)	
				2020	2019
BNK System Co., Ltd.	System software developing and supply	Korea	December 31	100.00	100.00
BNK Venture Capital Co., Ltd.	Start-up venture capital advisory			100.00	100.00
BNK REPO PLUS Private Investment Trust No. 1 ²	Beneficiary certificate	Korea	December 31	41.76	41.57
BNK KOSDAQ Venture Investment Trust No. 1 ²	Beneficiary certificate	Korea	December 31	36.62	36.62
BNK-KN Southeast Region Job Creation Fund 1 ²	Fund partnership	Korea	December 31	52.62	52.62
BNK Tuna Private investment Trust 1 ²	Beneficiary certificate	Korea	December 31	-	66.67
BNK Luxembourg Core Office Real Estate Investment Trust ²	Beneficiary certificate	Korea	December 31	100.00	100.00
BNK Teun Mid and Long-Term Securities Investment Trust 1 - Bond ²	Beneficiary certificate	Korea	December 31	48.19	45.09
N	Beneficiary certificate	Korea	December 31	100.00	100.00
BNK Sunbo-Wool Kyung Start-Up New Technology No. 1 ²	Fund partnership	Korea	December 31	75.00	75.00
BNK K200 Index Securities Investment Trust ²	Beneficiary certificate	Korea	December 31	48.36	81.12
BNK Regional Equilibrium Investment Association ²	Fund partnership	Korea	December 31	48.61	-
BNK Air Pollution Resolution Fund Partnership ²	Fund partnership	Korea	December 31	35.06	-
BNK Yeouido Core Office Real Estate ²	Beneficiary certificate	Korea	December 31	25.00	-
BNK Gangnam Core Office Real Estate ²	Beneficiary certificate	Korea	December 31	51.22	-
BNK Teunteun Korea ²	Beneficiary certificate	Korea	December 31	40.80	-
BNK Samsung Electronics Small and Medium Securities Investment Trust No. 1 ²	Beneficiary certificate	Korea	December 31	84.26	-
Busan Bank: Non-restricted money trust account and eight other trust accounts ¹	Trust business	Korea	December 31	-	-
Kyongnam Bank Co., Ltd.: Non-restricted money trust account and nine other trust accounts ¹	Trust business	Korea	December 31	-	-
HDC Dual Private Securities Investment Trust 1 ^{st 2}	Beneficiary certificate	Korea	December 31	100.00	100.00
HDC Dual Private Securities Investment Trust 3 ^{rd 2}	Beneficiary certificate	Korea	December 31	100.00	100.00
BNK Capital Co., Ltd.:					
BNKC (Cambodia) MFI PLC	Specialized credit financial business	Cambodia	December 31	100.00	100.00
BNK Capital Myanmar Co., Ltd.	Specialized credit financial business	Myanmar	September 31	99.99	99.99
BNK Capital Lao Leasing Co., Ltd.	Specialized credit financial business	Laos	December 31	96.71	96.71
MFO BNK Finance Kazakhstan LLP	Specialized credit financial business	Kazakhstan	December 31	100.00	100.00

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Name of subsidiary	Industry	Location	Closing month	Ownership interests (%)	
				2020	2019
BNK Securities Co., Ltd.:					
BNK Open Innovation Investment Association ²	Beneficiary certificate	Korea	December 31	99.99	99.98
BNK Asset Management Co., Ltd.:					
BNK Brave New KOREA No. 1 ²	Beneficiary certificate	Korea	December 31	-	69.38
BNK Global AI Securities Feeder Investment Trust H ²	Beneficiary certificate	Korea	December 31	57.90	68.63
BNK Ssum Global EMP Trust No. 1 ²	Beneficiary certificate	Korea	December 31	72.70	-
BNK Teuntuen Short-Term Bond ²	Beneficiary certificate	Korea	December 31	98.78	-
BNK Winning Target Convertible Securities Investment No. 2 ²	Beneficiary certificate	Korea	December 31	50.96	-

¹ As a money trust in accordance with the Financial Investment Services and Capital Markets Act, the Group owns less than 50% ownerships of the trust. However, the Group is considered to have control over the trust because the Group is exposed to variable returns from its involvement with the trust and has the ability to affect those returns through its power to direct the activities of the trust.

² As a structured company for purpose of marketable securities investment, the Group owns less than 50% ownerships of the entity. However, the Group is considered to have control over the entity because the Group is expose to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

1.3 Summarized Financial Information

Summarized financial information for consolidated subsidiaries as of and for the years ended December 31, 2020 and 2019, is as follows:

Name of subsidiary	2020						
	Assets	Liabilities	Equity	Operating income	Operating profit	Profit for the year	Total comprehensive income
Busan Bank Co., Ltd. and its Subsidiaries	₩60,392,220	₩55,091,166	₩ 5,301,054	₩ 2,564,755	₩ 417,760	₩ 308,463	₩ 281,356
Kyongnam Bank Co., Ltd. and its Subsidiaries	42,145,447	38,715,367	3,430,080	1,456,423	217,762	164,594	159,214
BNK Capital Co., Ltd. and its Subsidiaries	6,763,415	6,000,398	763,017	801,107	93,770	71,854	67,754
BNK Securities Co., Ltd. and its Subsidiaries	2,886,257	2,188,512	697,745	290,306	71,288	53,397	55,779
BNK Savings Bank Co., Ltd.	1,349,472	1,181,422	168,050	63,431	18,513	16,599	16,599
BNK Asset Management Co., Ltd. and its Subsidiaries	119,080	8,554	110,526	22,403	9,339	7,605	7,605
BNK Credit Information Co., Ltd.	19,490	858	18,632	6,334	1,430	1,065	1,065
BNK System Co., Ltd.	25,410	7,205	18,205	75,614	1,974	1,446	1,446
BNK Venture Capital Co., Ltd.	29,294	485	28,809	2,643	335	431	312

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(In millions of Korean won)

Name of subsidiary	2019						
	Assets	Liabilities	Equity	Operating income	Operating profit	Profit for the year	Total comprehensive income
Busan Bank Co., Ltd. and its Subsidiaries	₩56,263,405	₩51,048,211	₩ 5,215,194	₩ 2,747,873	₩ 501,342	₩ 374,814	₩ 381,738
Kyongnam Bank Co., Ltd. and its Subsidiaries	39,296,261	35,898,643	3,397,618	1,586,874	231,377	181,711	190,823
BNK Capital Co., Ltd. and its Subsidiaries	5,425,262	4,708,984	716,278	704,392	103,093	78,862	81,892
BNK Securities Co., Ltd. and its Subsidiaries	2,372,112	1,930,045	442,067	167,090	28,584	20,984	21,528
BNK Savings Bank Co., Ltd.	1,084,684	933,233	151,451	66,014	23,444	20,017	20,017
BNK Asset Management Co., Ltd. and its Subsidiaries	77,836	4,897	72,939	12,630	2,937	2,511	2,511
BNK Credit Information Co., Ltd.	11,465	887	10,578	5,955	1,330	950	950
BNK System Co., Ltd.	14,954	5,190	9,764	67,950	1,537	1,114	1,114
BNK Venture Capital Co., Ltd.	18,721	170	18,551	440	237	464	391

1.4 Changes in Scope for Consolidation

Subsidiaries newly included in the consolidation for the years ended December 31, 2020 and 2019:

Subsidiary	2020
BNK Regional Equilibrium Investment Association	Participated in BNK Venture Capital Co., Ltd.'s investment when setting the fund
BNK Air Pollution Resolution Fund Partnership	Participated in BNK Venture Capital Co., Ltd.'s investment when setting the fund
BNK Yeouido Core Office Real Estate	Participated in Busan Bank Co., Ltd.'s investment when setting beneficiary certificate
BNK Gangnam Core Office Real Estate	Participated in Busan Bank Co., Ltd.'s investment when setting beneficiary certificate
BNK Teunteun Korea	Participated in Busan Bank Co., Ltd.'s investment when setting beneficiary certificate
BNK Samsung Electronics Small and Medium Securities Investment Trust No. 1	Participated in Busan Bank Co., Ltd.'s investment when setting beneficiary certificate
BNK Ssum Global EMP Trust No. 1	Participated in BNK Asset Management Co., Ltd.'s investment when setting beneficiary certificate
BNK Teunteun Short-Term Bond	Participated in BNK Asset Management Co., Ltd.'s investment when setting beneficiary certificate
BNK Winning Target Convertible Securities Investment No. 2	Participated in BNK Asset Management Co., Ltd.'s investment when setting beneficiary certificate

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Subsidiary	2019
BNK-KN Southeast Region Job Creation Fund 1	Participated in BNK Securities Co., Ltd.'s investment when setting the fund
BNK K200 Index Securities Investment Trust	Participated in Busan Bank Co., Ltd.'s investment when setting beneficiary certificate
BNK Tuna Private investment Trust 1	Participated in Busan Bank Co., Ltd.'s investment when setting beneficiary certificate
BNK Open Innovation Investment Association	Participated in BNK Securities Co., Ltd.'s investment when setting the fund
BNK Luxembourg Core Office Real Estate Investment Trust	Participated in Busan Bank Co., Ltd.'s investment when setting beneficiary certificate
BNK Teun Mid and Long-Term Securities Investment Trust 1 - Bond	Participated in Busan Bank Co., Ltd.'s investment when setting beneficiary certificate
BNK Venture Capital Co., Ltd.	Incorporated as a subsidiary by acquisition of BNK Venture Capital Co., Ltd.
Multi-Asset KLC VLOC Specialized Private Equity Investment Trust No. 1	Participated in Busan Bank Co., Ltd.'s investment when setting beneficiary certificate
BNK Sunbo-Wool Kyung Start-Up New Technology No. 1	Participated in BNK Securities Co., Ltd.'s investment when setting the fund

Subsidiaries excluded from the consolidation for the years ended December 31, 2020 and 2019:

Subsidiary	2020
BNK Tuna Private investment Trust 1	Liquidation of Busan Bank Co., Ltd.'s beneficiary certificate
BNK Brave New KOREA No. 1	Liquidation of BNK Asset Management Co., Ltd.'s beneficiary certificate

Subsidiary	2019
BNK Tuen Short-term Government Bond No. 1	Liquidation of Busan Bank Co., Ltd.'s beneficiary certificate

BNK Financial Group Inc. and its Subsidiaries
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2. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with K-IFRS.

The Group maintains its accounting records in Korean won and prepares the consolidated financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("K-IFRS"). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The preparation of consolidated financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

As explained in accounting policies below, the accompanying consolidated financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair value. Historical cost is generally based on the fair value of the considerations given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 *Share-Based Payment*, leasing transactions that are within the scope of K-IFRS 1116 *Leases*, and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS 1002 *Inventories* or value in use in K-IFRS 1036 *Impairment of Assets*.

The managements have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going-concern basis of accounting in preparing the consolidated financial statements.

BNK Financial Group Inc. and its Subsidiaries

Notes to the Consolidated Financial Statements

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2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on January 1, 2020:

- Enactment of K-IFRSs 1001 and 1008 – Definition of Material

The amendments are intended to make the materiality defined in K-IFRS 1001 easier to understand and are not intended to change the basic concept of material in K-IFRSs. The notion that non-material information makes sensitive information ‘obscure’ is included as part of the new definition.

The definition of materiality in K-IFRS 1008 is replaced with reference to the definition of materiality in K-IFRS 1001. In addition, the International Accounting Standards Board (“IASB”) has revised other standards and ‘concept frameworks’ to include definitions of materiality or refer to the term ‘materiality’ to ensure consistency. The amendments to the standard have no material impact on the consolidated financial statements.

- Amendments to K-IFRS 1103 - Business Combination

The amendment clarifies that although a business generally retains output, the output is not required for the unified set of activities and assets to meet the definition of the business. In order for a collection of acquired activities and assets to be considered a business, at least a minimum amount of inputs and substantive processes with the ability to contribute significantly together to the preparation of outputs should be included.

The amendment eliminates the evaluation of whether market participants can replace missing inputs or processes and continue to produce output. The amendment also provides guidelines for judgment to help determine whether the actual process has been acquired.

The amendment introduces an applicable selective concentration test that allows to briefly evaluate whether a set of acquired activities and assets is not a business. From this selective concentration test, if the fair value of the total assets acquired is substantially concentrated in a single identifiable asset or a group of identifiable similar assets, this is not a business.

The amendment applies to business combinations after the commencement date of the fiscal year for which the acquisition date first begins on or after January 1, 2020, and is applied prospectively to all business combinations and asset acquisition transactions. The Group does not expect that these amendments will have a significant impact on the consolidated financial statements.

- Amendments to K-IFRSs – *Conceptual Framework*

In addition to the completely revised *Conceptual Framework*, which was introduced with the announcement on December 21, 2018, IASB also announced the *Revision of References to the Conceptual Framework in the K-IFRSs*. This includes amendments of K-IFRSs 1102, 1103, 1106, 1114, 1001, 1008, 1034, 1037, 1038, 2112, 2119, 2120, 2122 and 2032.

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However, not all amendments require that the wording associated with such reference or citation be referred to the revised Conceptual Framework. Some phrases indicate whether the referenced Conceptual Framework is a Conceptual Framework for the preparation and presentation of consolidated financial statements (2007), a Conceptual Framework (2010) or a newly revised Conceptual Framework (2018). Some other text has been revised to clarify that the definitions in the K-IFRSs have not been changed to the new definitions developed in the completely revised Conceptual Framework (2018).

- K-IFRS 1116 Lease – Period for Execution

The IASB interpreted that the concept of loss or penalty that should be considered when calculating the enforceable period in accordance with K-IFRS 1116 Lease includes not only the payment amount specified in the contract, but also economic loss. In addition, if only one of the contracting parties can terminate the lease without the consent of the other party if only one of the contracting parties pays a small amount, the lease contract is interpreted as enforceable beyond the date the party can terminate the lease contract. The Group does not expect that these amendments will have a significant impact on the consolidated financial statements.

- Amendment of K-IFRS 1116 *Lease* – Practical Simplified Methods for Discounts and Deferral of Rent Related to Coronavirus Infectious Disease 19 (“COVID-19”)

The amendment provides practical mitigation to the lessee in accounting for rent discounts, etc., as a direct result of COVID-19. This practical simple law allows the lessee to choose not to evaluate whether the COVID-19-related rental discount, etc., qualifies for a lease change. The lessee who made this choice will account for changes in lease fees due to the COVID-19-related rental fee discount, etc.

This practical simple method applies only to rent concession, etc., caused directly due to COVID-19, and applies only when all of the conditions below are met.

- The lease consideration modified due to changes in the lease fee is substantially the same or less than the lease consideration before the change.
- Lease concession only affects lease payments due on or before June 30, 2021 (e.g., rent concessions reduce lease payments due on or before June 30, 2021, and increase lease payments after June 30, 2021).
- Other lease terms and conditions are not changed substantially.

The Group decided to apply the amendments early from the current term and did not restate the consolidated financial statements for the previous year. In addition, the Group has chosen to apply the practical simple method to all rental discounts that meet the above conditions.

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- Amendment of K-IFRS 1109 *Financial Instruments*, K-IFRS 1039 *Financial Instruments* : *Recognition and Measurement* and K-IFRS 1107 *Financial Instruments* : *Disclosure* – Reform of Interest Rate Index

While there is uncertainty due to the reform of interest rate index, exceptions have been added regarding the application of hedge accounting. With the exceptions, the hedged item and the hedging instrument are applied when evaluating whether the expected cash flow is very likely to occur, whether there is an economic relationship between the hedged item and the hedging instrument, and whether there is a high hedging effect between the hedged item and the hedging instrument. It is assumed that the interest rate index being used does not change due to the effect of the reformed interest rate index. The Group does not expect that these amendments will have a significant impact on the consolidated financial statements.

(b) New standards and interpretations not yet adopted by the Group

- K-IFRS 1001 *Classification of Liabilities as Current or Non-Current* (Amendments)

The amendments to K-IFRS 1001 affect only the presentation of liabilities as current or non-current in the consolidated statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, and earlier application is permitted.

- K-IFRS 1103 *Reference to the Conceptual Framework* (Amendments)

The amendments update K-IFRS 1103 so that it refers to the Conceptual Framework (2018) instead of the Framework (2007). They also add to K-IFRS 1103 a requirement that, for obligations within the scope of K-IFRS 1037, an acquirer applies K-IFRS 1037 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of K-IFRS 2121 *Levies*, the acquirer applies K-IFRS 2121 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Earlier application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

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- K-IFRS 1016 *Property, Plant and Equipment* (Amendments)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with K-IFRS 1002 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly.' K-IFRS 1016 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the separate statements of comprehensive income, the separate financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the separate statements of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the separate financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted.

- Amendment to K-IFRS 1037 - *Onerous Contracts: Contract Performance Costs*

The amendment clarifies that the cost of executing a contract consists of costs directly related to the contract. The costs directly related to the contract consist of the incremental costs of performing the contract (e.g., direct labor costs and direct material costs) and other directly related cost distributions (e.g., depreciation costs of property, plant and equipment used to perform the contract).

The amendment applies to contracts in which the performance of all obligations has not been completed at the commencement date of the fiscal year in which this amendment is first applied. The comparative financial statements do not restate, but recognizes the cumulative effect of applying the amendment for the first time as retained earnings at the date of initial application or, where appropriate, other components of equity.

This amendment will be applied from the fiscal year starting on or after January 1, 2022, and early application is permitted.

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- Annual Improvements to K-IFRS 2018 – 2020 Cycle:

This annual improvement includes partial amendments to K-IFRS 1109 *Financial Instruments* and K-IFRS 1116 *Lease*.

(i) K-IFRS 1109 *Financial Instruments*

The amendment clarifies that when applying the ‘10%’ test to assess the derecognition of a financial liability, it includes only fees received or paid between the entity (borrower) and the lender, including fees paid or received on behalf of another party. The amendment will be applied prospectively to changes and exchanges that have occurred after the initial application date. This amendment will be applied from the fiscal year starting on or after January 1, 2022, and early application is permitted.

(ii) K-IFRS 1116 *Leases*

The amendments deleted the details of the lease improvement reimbursement in Case 13 of K-IFRS 1116. The date of implementation has not been separately defined, as this amendment is only relevant to the application case.

The Group does not expect that these enactments and amendments listed above have a significant impact on the consolidated financial statements.

2.3 Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and entities (including structured entities) controlled by the Parent Company (and its subsidiaries). Control is achieved where the Group 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee; and 3) has the ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

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Income and expenses of subsidiaries acquired, or disposed of, during the year are included in the consolidated statements of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup transactions and related assets and liabilities, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Parent Company loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1109 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.4 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 – *Income Taxes* and K-IFRS 1019 – *Employee Benefits*, respectively;

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- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 – *Share-Based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105 – *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRSs.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with K-IFRS 1109 – *Financial Instruments* or K-IFRS 1037 – *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2.5 Investments in Associates and Joint Ventures

Associates are entities over which the Group has significant influence, but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

2.6 Goodwill

Goodwill resulting from an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently, when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of comprehensive income. An impairment loss recognized for goodwill is not reversed in the subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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2.7 Foreign Currencies

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in currency units (KRW), which is the functional currency of the Parent Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings related to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency; and
- exchange differences on monetary items receivable from, or payable to, a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in currency units using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for that period, unless exchange rates fluctuated significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests, as appropriate).

2.8 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investment assets that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

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2.9 Financial Assets

(a) Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss;
- those to be measured at fair value through other comprehensive income; and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and only when, its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset and the issuance of the financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired.

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- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss.

B. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in profit or loss in the statements of profit or loss, as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For debt securities at fair value through other comprehensive income and financial assets measured at amortized costs, expected credit losses are measured at estimation of probability weighted present value calculated as the difference between its cash flows, which are contractually expected to receive during over the life of financial instruments and actually expected to receive discounted at the original effective interest rate.

Lifetime expected losses will be recognized on assets for which there is a significant increase in credit risk after initial recognition. The Group recognizes 12-month expected credit losses in profit or loss where credit risk did not increase significantly.

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The Group considers a financial asset to be in default if it meets one or more of the following conditions:

- if a borrower is overdue 90 days or more from the contractual payment date,
- if the Group judges that it is not possible to recover principal and interest without enforcing the collateral on a financial asset

(d) Recognition and Derecognition

Regular-way purchases and sales of financial assets are recognized or derecognized on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Group has transferred, substantially, all the risks and rewards of ownership. If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

2.10 Financial Liabilities and Equity Instruments

(a) Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(c) Hybrid Capital Instruments

The Group classifies issued capital instrument, or its component parts, on initial recognition as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. Hybrid capital instruments which the Group has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation are classified as equity instruments and presented in equity.

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(d) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at fair value through profit or loss ("FVTPL"). However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group are measured in accordance with the specific accounting policies set out below.

1) Financial liabilities at FVTPL

Financial liabilities are classified as of FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as of FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as of FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.
- It forms part of a contract containing one or more embedded derivatives, and K-IFRS 1109 permits the entire combined contract to be designated as of FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy).

However, for financial liabilities that are designated as of FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that is recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

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2) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as of FVTPL are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortized cost of a financial liability.

(e) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of debt instruments.

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of following:

- the amount determined in accordance with the expected credit loss model under K-IFRS 1109 *Financial Instruments* and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with K-IFRS 1115 *Revenue from Contracts with Customers*

(f) Derecognition of financial liabilities

Financial liabilities are removed from the statements of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or canceled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(g) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

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2.11 Derivative Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument; in such case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives either as hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges) or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(a) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

(b) Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

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- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of the option as a hedging instrument when it used the option contract to hedge the expected transaction. In International Accounting Standard (IAS) 39, changes in the fair value of an option are immediately recognized in profit or loss. In IFRS 9, changes in the time value of the option associated with the hedged item in other comprehensive income and the accumulated amount of equity is reclassified to profit or loss during the period when the hedged item affects profit or loss or is removed from equity and included directly in the carrying amount of non-financial items.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e., excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortization. Those reclassified amounts are recognized in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

(c) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line item of the consolidated statements of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship; when the hedging instrument expires or is sold, terminated or exercised; or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

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(d) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss related to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other non-operating income and expenses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated statements of comprehensive income as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship; when the hedging instrument expires or is sold, terminated or exercised; or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity, and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

2.12 Property and Equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment directly attributable to their purchase or construction includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset, or as an asset, if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of the asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Useful life (years)	Depreciation method
Construction	50	Straight line
Leasehold improvements	5	Straight line
Equipment and vehicles	5	Straight line

If each part of an item of property and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

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The Group reviews the depreciation method, the estimated useful lives and residual values of property and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

2.13 Investment Property

Investment property is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

While land is not depreciated, all other investment property is depreciated based on the respective assets' estimated useful lives ranging from 50 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of investment property, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in net income in the period in which the asset is derecognized.

2.14 Leases

1-1) The Group as lessee

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed-lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case, the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost, less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under K-IFRS 1037. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy (Note 2.16).

1-2) The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of K-IFRS 1109, recognizing an allowance for Expected Credit Losses ("ECLs") on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies K-IFRS 1115 to allocate the consideration under the contract to each component.

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2.15 Intangible Assets

(a) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

(b) Internally generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, and only if, the development project is designed to produce new or substantially improved products, and the Group can demonstrate the technical and economical feasibility and measure reliably the resources attributable to the intangible asset during its development. The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(c) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful life (Years)
Development costs	3–5
Software	3–5
Industrial property rights	5
Others	3–10

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(d) Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2.16 Impairment of Property and Equipment and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise, they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell and value in use. If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.17 Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in making decision on the financial and operating policies of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement have rights to net assets relating to the arrangement. Joint control is the contractually agreed sharing of control over an arrangement that exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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The profit for the year and the financial results of the joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in the joint ventures and associates is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the net assets of the joint ventures and associates and any impairment. When the Group's share of losses in the joint ventures and associates exceeds the Group's interest in the associate, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures and associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint ventures and associates recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in profit or loss.

Upon a loss of significant influence over the joint ventures and associates, the Group discontinues the use of the equity method and measures at fair value of any investment that the Group retains in the former joint ventures and associates from the date when the Group loses significant influence. The fair value of the investment is regarded as its fair value on initial recognition, as a financial asset, in accordance with K-IFRS 1109. The Group recognized differences between the carrying amount and fair value in profit or loss, and it is included in determination of the gain or loss on disposal of joint ventures and associates. The Group accounts for all amounts recognized in other comprehensive income in relation to the joint ventures and associates on the same basis as would be required if the joint ventures and associates had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by an associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity profit or loss as a reclassification adjustment.

When the Group's ownership of interest in an associate or a joint venture decreases, but the Group continues to maintain significant influence over an associate or a joint venture, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that decrease in ownership interest if the gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. Meanwhile, if interest on an associate or a joint venture meets the definition of non-current asset held for sale, it is accounted for in accordance with K-IFRS 1105.

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The requirements of K-IFRS 1036 to determine whether there has been a loss event are applied to identify whether it is necessary to recognize any impairment loss with respect to the Group's investment in the associates and joint ventures. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 as a single asset by comparing its recoverable amount (higher of value in use or fair value, less costs to sell) with its carrying amount. Any impairment loss recognized is not allocated to any asset (including goodwill) that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

2.18 Impairment of Non-Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGUs to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell or value in use. If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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2.19 Non-current Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with K-IFRS 1109 *Financial Instruments*, unless the retained interest continues to be an associate or a joint venture, in which case, the Group uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value, less costs to sell.

2.20 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in profit or loss as borrowing cost.

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When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

(a) Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(b) Restructurings

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower one between the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

(c) Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and the amount initially recognized, less, where applicable, the cumulative amount of income recognized in accordance with K-IFRS 1115 *Revenue from Contracts with Customers*.

(d) Provision for acceptances and guarantees and provision for unused commitment

Provisions on confirmed and unconfirmed acceptances and guarantees, unfunded commitments of credit card and unused credit line of consumer and corporate loans are recognized using valuation model that applies the credit conversion factor, default rates and loss given default.

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2.21 Revenue and Expense Recognition

(a) Interest income and expense

Using the effective interest rate method, the Group recognizes interest income and expense on financial instruments at amortized cost and at fair value through other comprehensive income in the consolidated statements of comprehensive income. The amortized cost of financial assets or liabilities is calculated based on the effective interest rate method, and the interest income and expenses are allocated over the relevant period.

The effective interest rate reconciles the expected future cash in and out through the expected life of financial instruments or, if appropriate, through shorter period and net carrying amount of financial assets or liabilities. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments, except for the loss on future credit risk. Also, the effective interest rate calculation includes redemption costs, points (if it is a part of the effective interest rate) that are paid or earned between contracting parties, transaction costs and other premiums and discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

In addition, interest income arising from debt instruments at fair value through profit or loss is classified as interest income in the consolidated statements of comprehensive income.

(b) Commission income

Financial service fees are recognized in accordance with the accounting standard of the financial instrument related to the fees earned as following:

① Fees that are a part of the financial instruments' effective yield

Fees that are a part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. Such fees include compensation for activities, such as evaluating the borrower's financial condition; evaluating and recording guarantees, collateral and other security arrangements; negotiating the terms of the instrument; preparing and processing documents; and closing the transaction as well as origination fees received on issuing financial liabilities measured at amortized cost. These fees are deferred and recognized as an adjustment to the effective interest rate. However, in case the financial instrument is classified as a financial asset at FVTPL, the relevant fee is recognized as revenue when the instrument is initially recognized.

② Commission from rendering services

Commission income from rendering services, such as asset management, trustee business and financial guarantee, is recognized as the services are provided. When it is not probable that specific loan agreement is contracted and agreed commission is not applied to K-IFRS 1109, those services will be recognized on a straight-line basis as the work is performed.

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③ Commission from significant act performed

The recognition of revenue is postponed until the significant act is executed. On performing significant transactions, the earned commissions are recognized as gains and losses at the time the transactions are completed.

The commissions and sales commissions that are paid for the participation in negotiations for the third party are recognized as gains and losses at the time the transactions of the third party are completed.

The Group arranges a syndicated loan, but does not participate in the syndicate or has the same effective gains and losses with other participants; fees on syndicated loan are recognized as gains and losses when the transactions of syndicated loan are completed.

④ Unearned revenue from point programs (customer loyalty program)

The Group operates customer loyalty program to provide customers with incentives to buy their goods or services. If a customer buys goods or services, the entity grants the customer award credits (often described as 'points'). The customer can redeem the award credits for awards, such as free or discounted goods or services. The award credits are accounted separately as identifiable component of the sales transaction(s) in which they are granted (the 'initial sales'). The fair value of the consideration received, or receivable, with respect to the initial sale shall be allocated between the award credits and the other components of the sale. If the Group supplies the awards itself, it shall recognize the consideration allocated to award credits as revenue when award credits are redeemed and it fulfills its obligation to supply awards. The amount of revenue recognized shall be based on the number of award credits that have been redeemed in exchange for awards, related to the total number expected to be redeemed.

If the third party supplies the awards, the Group shall assess whether it is collecting the consideration allocated to the award credits on its own account (as the principal in the transaction) or on behalf of the third party (as agent for the third party). The amount of revenue recognized shall be net amount retained on its own account.

(c) Dividend income

Dividend income is recognized when the shareholders are entitled to receive dividends. According to the classification of equity securities, dividend income is indicated in the consolidated statements of comprehensive income.

2.22 Employee Benefits

(a) Short-term employee benefits

Short-term employee benefits are defined as employee benefits that fall due within 12 months after the end of the reporting period in which the employees render the related service. The Group recognizes the undiscounted amount of short-term employee benefits expecting payment in exchange for the services when the employee renders services.

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(b) Other long-term employee benefits

If the Group does not pay employee benefits within 12 months from the end of the reporting period after providing services, other long-term employee benefits are discounted by present value of future benefits based on current and past terms. These benefits are also recognized as liabilities after deducting fair value of plan assets that can directly pay relevant liabilities. The liabilities are determined after discounting estimated future cash flow by using interest rate of sound finance bonds that have similar maturity with related benefits. Gains and losses arising from remeasurement are recognized as amount of total gains and losses during the period of events.

(c) Postemployment benefit costs and termination benefits

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statements of financial position, with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

The Group presents the service cost and net interest expense (income) components in profit or loss, and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The defined benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service as follows:

If the contributions are not linked to services (e.g., contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).

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If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by K-IFRS 1019 paragraph 70 for the gross benefits.

(d) Share-based payments

i) Share-based payment

Equity-settled share-based payment granted to employees and others providing similar services are measured at fair value of equity instruments at grant date. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. Refer to Note 34 for details of determination of fair value of equity-settled share-based payment.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to be vested as a result of a vesting condition other than a market condition. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in other component of equity.

Equity-settled share-based payments granted to parties other than employee are measured at fair value of the goods or services received. However, if the fair value of goods or services received cannot be estimated reliably, the Group measures the goods or services received by reference to the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders service.

For the cash-settled share-based payment, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

ii) Share-based payment transactions of business combination of acquiree

The Group measures replacement of an Group's share-based payment transactions (hereinafter referred to as 'replacement award') with share-based payment transactions of the acquiree (hereinafter referred to as 'acquiree's payment') in accordance with the method in K-IFRS 2 *Share-Based Payment* at the acquisition date ('market based measure'). The portion of the replacement award is the market-based measure of the acquiree award multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. Any excess of the market-based measure of the replacement award over the market-based measure of the acquiree award is recognized as remuneration cost of postcombination service.

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However, in situations in which acquiree awards would expire as a consequence of a business combination and if the acquirer replaces those awards when it is not obliged to do so, replacement awards are measured at market-based measure in accordance with K-IFRS 1102. All of the market-based measure of the replacement awards is recognized as remuneration cost in the postcombination services.

If the Group does not exchange its share-based payment transactions for equity-settled share-based payment transactions held by employee of acquiree as of the acquisition date, the equity-settled share-based payment transactions are measured at their market-based measure at the acquisition date. If the acquiree's share-based payment transactions are vested, those acquiree share-based payment transactions are part of the non-controlling interest in the acquiree. If acquiree's share-based payment transactions are unvested, the market-based measure of unvested share-based payment transactions is allocated to the non-controlling interest on the basis of the ratio of the portion of the vesting period completed to the greater of the total vesting period and the original vesting period of the share-based payment transaction. The balance is allocated to postcombination service.

2.23 Income Tax Expense

Income tax expense consists of current and deferred taxes.

In accordance with the Korean Corporate Tax Act, the Group and its 100%-owned domestic subsidiaries have filed a consolidated tax return. Accordingly, the Group recognizes total corporate income tax due as a current tax liability and the amounts due from subsidiaries as loans and receivables. The Group applies the consolidated taxation system, the way that the Group reports and pays income tax based on the total amount of income regarding the Group and all domestic subsidiaries on which the Group completely controls over as a single taxation unit. Deferred taxes are measured based on the future tax benefits expected to be realized in consideration of the expected combined profits or losses of eligible companies in accordance with the consolidated corporate tax system. The Group recognizes total amount of tax payables in accordance with the consolidated corporate tax system as a parent Group and recognizes receivables, which will be received from subsidiaries.

(a) Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit or loss before tax expenses as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other periods. The Group's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the end of the reporting period.

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(b) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred income tax assets and liabilities are not recognized if the taxable or deductible temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit (taxable deficit) nor the accounting profit.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted, or substantively enacted, by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group shall offset deferred tax assets and deferred tax liabilities if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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If a deferred tax liability or asset arises from investment property that is measured using the fair value model in K-IFRS 1040, *Investment Property*, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. Accordingly, unless the presumption is rebutted, the measurement of the deferred tax liability or deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

(c) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.24 Accounting for Trust Accounts

In accordance with the Financial Investment Services and Capital Market Act, the Group establishes savings accounts under trust agreements ("trust account") separately from its bank accounts and administers the funds for the benefit of one or more beneficiaries. Funds transferred between a bank account and trust account are recognized as due to/from trust accounts. The fees and commissions received from trust accounts are recognized when the Group provides services to the trust accounts.

With respect to certain trust account products, the Group guarantees the repayment of the principal of the trust accounts and, in certain cases, a fixed rate of return. If income from such trust accounts is insufficient to pay the guaranteed amount, such deficiency is satisfied by using special reserves maintained in the trust accounts, offsetting trust fee payable to the Group accounts and receiving compensating contributions from the Group accounts of the Group. If the Group pays compensating contributions to the trusts with the guaranteed return to cover such deficiencies, these contributions are reflected as operating expense of the Group accounts and as other income of the trust accounts.

2.25 Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102, *Share-Based Payment*, leasing transactions that are within the scope of K-IFRS 1017, *Leases*, and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS 1002, *Inventories*, or value in use in K-IFRS 1036, *Impairment of Assets*.

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In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.26 Operating Segments

The Group makes a decision about resources to be allocated within segments and divides segments based on internal reports for management to evaluate performances regularly. Each segment consists of the Group's own strategic business units. The segments provide their products and services, and they are separately operated by their business units due to the difference between technical and marketing strategies.

2.27 Approval of Issuance of the Consolidated Financial Statements

The consolidated financial statements for the 2020 reporting period of the Group were approved for issue by the board of directors on February 9, 2021, and are planned for the approval of shareholders' Meeting on March 26, 2021.

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3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

(a) Fair value of financial instruments

As described in Note 6, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain type of financial instruments. Note 6 provides detailed information about key assumptions used in the determination of the fair value of financial instruments as well as the detailed sensitivity analysis for these assumptions. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

(b) Expected credit losses for financial instruments

The Group measures expected credit losses on debt securities measured at fair value through other comprehensive income ("OCI"), financial assets measured at amortized cost, guaranteed contracts and loan commitments; recognizes accumulated OCI for debt securities measured at fair value through OCI, sets credit loss allowances for a provision for financial assets measured at amortized cost and sets a provision for guaranteed contracts and loan commitments. The accuracy of the provision for such credit losses is determined by the assumptions used for estimating the expected cash flows for each borrower for the individual valuation allowance for bad debts, and the assumptions and variables of the model used for estimating the collective valuation allowance for bad debts and provision for guarantees/unused commitments.

The Group measures expected credit loss by reflecting future forecast information. The Group assumes that the factors for measuring credit risk have a certain correlation with economic fluctuations and uses statistical methodology to estimate the relationship between major macroeconomic variables and factors for measuring expected credit loss.

The Group derives correlation between long-term data and major macroeconomic variables over the past 10 years and reflect future outlook information through regression estimation. Major macroeconomic variables identified by Group are corporate bond rate increase rate, employment rate, spread of interest rate, manufacturing inventory rate increase rate, consumer price index, change in CD distribution rate of return and others.

The future forecast information used to measure expected credit loss is calculated by taking into account the forecasts of governments and public institutions, such as the Bank of Korea and Korea Development Institute, and comprehensively reviewing the probability of occurrence by scenario for the economic forecast.

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(c) Uncertainty due to the pandemic of Coronavirus Infectious Disease 19 ("COVID-19")

The rapid spread of COVID-19 is having a negative impact on finance, foreign exchange markets and the real economy around the world, which may increase the overall volatility of macroeconomic indicators, such as stock prices, interest rates and exchange rates. COVID-19 could potentially affect the Group's expected credit losses for certain portfolios and a decline in the fair value of financial instruments.

The Group cannot predict the size and duration of future COVID-19 damage, and due to uncertainties arising from COVID-19, important accounting estimates and assumptions used in the preparation of financial statements may change. The Group is continuously monitoring the impact of COVID-19 through the key market indicators, delinquency rates and liquidity ratios.

Matters related to the fair value of financial instruments are described in Note 6. Exposures by major industry as of December 31, 2020 may be affected by the future changes of significant accounting estimates and assumptions due to COVID-19, are as follows.

(In millions of Korean won)

		2020				
		Loans				
		Twelve months expected credit losses	Lifetime expected credit losses		Subtotal	Provision for impairment
			Unrecognized impairment	Recognized impairment		
Aviation, Travel and Hotel	₩	759,667	₩ 312,343	₩ 6,766	₩ 1,078,776	₩ 16,624
Refining, Gas and Petrochemical		583,958	118,781	5,637	708,376	7,665
Logistics		1,515,208	320,804	8,518	1,844,530	14,053
Restaurant		702,410	155,621	5,791	863,822	6,951
Small business owner		975,915	77,759	4,974	1,058,648	7,856
	₩	<u>4,537,158</u>	₩ <u>985,308</u>	₩ <u>31,686</u>	₩ <u>5,554,152</u>	₩ <u>53,149</u>

(In millions of Korean won)

		2020				
		Receivables				
		Twelve months expected credit losses	Lifetime expected credit losses		Subtotal	Provision for impairment
			Unrecognized impairment	Recognized impairment		
Aviation, Travel and Hotel	₩	1,103	₩ 835	₩ 5	₩ 1,943	₩ 39
Refining, Gas and Petrochemical		1,130	191	19	1,340	28
Logistics		1,964	615	24	2,603	45
Restaurant		892	229	37	1,158	41
Small business owner		3,562	339	54	3,955	94
	₩	<u>8,651</u>	₩ <u>2,209</u>	₩ <u>139</u>	₩ <u>10,999</u>	₩ <u>247</u>

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		2020					
		Loan commitments					
		Twelve months expected credit losses	Lifetime expected credit losses		Subtotal		Provision
			Unrecognized impairment	Recognized impairment			
Aviation, Travel and							
Hotel	₩	55,212	₩ 9,810	₩ -	₩ 65,022	₩	525
Refining, Gas and							
Petrochemical		87,537	3,065	-	90,602		275
Logistics		147,972	11,296	-	159,268		551
Restaurant		13,809	1,931	-	15,740		108
Small business							
owner		54,928	8,693	-	63,621		631
	₩	<u>359,458</u>	₩ <u>34,795</u>	₩ -	₩ <u>394,253</u>	₩	<u>2,090</u>

(In millions of Korean won)

		2020					
		Confirmed acceptances and guarantees					
		Twelve months expected credit losses	Lifetime expected credit losses		Subtotal		Provision
			Unrecognized impairment	Recognized impairment			
Aviation, Travel and							
Hotel	₩	68,508	₩ -	₩ -	₩ 68,508	₩	2,374
Refining, Gas and							
Petrochemical		8,801	915	-	9,716		72
Logistics		47,291	3,359	-	50,650		264
Restaurant		1	-	-	1		-
Small business							
owner		230	-	-	230		1
	₩	<u>124,831</u>	₩ <u>4,274</u>	₩ -	₩ <u>129,105</u>	₩	<u>2,711</u>

On the other hand, although various economic indicators have deteriorated due to the economic contraction caused by the COVID-19 situation, the Group's actual default rate has remained stable due to various government-supported policies.

In order to reflect the potential default risk, some of the borrowers who applied for the delay in payment of interest and amortized principal were classified as borrowers with a significant increase in credit risk, and additional credit loss allowance were recognized. The exposure and credit loss allowances of those borrowers are as follows:

(In millions of Korean won)

2020

Exposure	₩	1,737,851
Provision for credit loss		84,953

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4. FINANCIAL RISK MANAGEMENT:

4.1 General

(a) General risk management policy

The Group is exposed to various financial risks, such as credit, liquidity, market and operational, associated with financial instruments. These risks are recognized, measured and reported in accordance with risk management guidelines established at the Parent Company level and implemented at the subsidiary level.

This outline indicates the level of exposure to such risks and objectives, policies, risk assessment, management procedures and capital management of the Group. Additional quantitative information is disclosed in the consolidated financial statements.

The Group's risk management system has focused on increasing the transparency of risk and supporting the long-term strategy and management decision making to deal with rapid changes in the financial environment. The Group realizes the important risks, such as credit, market, operational, credit concentration, interest rate, liquidity, strategy and reputation. It measures and manages the quantitative economic capital or value at risk ("VaR") by using the statistical method.

(b) Organization of risk management

i) Risk management committee

The risk management committee establishes a risk management strategy in accordance with the strategic direction chosen by the board of directors, determines the possible level of risk and manages the level of risk that the Group faced and the condition of risk management activities as a top decision-making organization.

ii) Risk management council

Risk management council is responsible for coordinating with the risk management units of subsidiaries to ensure that they implement the policies, guidelines and limits established by the risk management committee. The Group's risk management council is composed of the Group's chief risk management officer and the chief risk management officers of subsidiaries.

iii) Risk management division

The Group's risk management division performs detailed risk policies, procedures and business processes of risk management, and is responsible for managing and monitoring the limit of the Group's economic capital.

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4.2 Credit Risk

(a) General

The credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's loan, card assets and securities. The Group considers all the elements of individual borrower's credit risk exposure, including default and breach.

(b) Risk management framework

The Group assesses its required expected loss and economic capital by managing all credit exposures on or off-balance sheet.

The Group establishes and manages total exposure limits for borrowers and industries in order to optimize the use of credit availability and avoid excessive risk concentration.

The credit management division and management planning division manage the credit risk by integrating and establishing credit policy, monitoring loan portfolios and restructuring the loans independently from the marketing division. The risk management division conducts the measurement of the economic capital, total exposure management, credit evaluation and approval and reviews the credit evaluation model.

(c) Maximum exposure to credit risk

The Group's maximum exposure of financial instruments, except for equity securities to credit risk that does not consider value of collateral as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
On balance				
Cash and due from banks	₩	3,352,279	₩	2,998,205
Financial assets at fair value through profit or loss		4,317,172		3,749,422
Financial assets at fair value through other comprehensive income		5,179,080		5,064,688
Financial assets at amortized cost		7,877,347		7,534,761
Loans		86,360,022		78,958,203
Receivables		1,340,632		1,699,023
Derivative assets		79,026		35,960
		<u>108,505,558</u>		<u>100,040,262</u>
Off balance				
Guarantees and acceptances		1,137,761		1,170,073
Loan commitments		21,967,307		20,121,504
		<u>23,105,068</u>		<u>21,291,577</u>
	₩	<u>131,610,626</u>	₩	<u>121,331,839</u>

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(d) Analysis of credit quality of financial assets

Credit quality is classified based on internal credit grades as follows:

	Household	Corporates, public sector and other
Grade 1	1–5	AAA, AA, AA-, A
Grade 2	6	A-, BBB+, BBB
Grade 3	7–8	BBB-, BB, BB-
Grade 4	9–10	B, B-, C, D

¹ Approval of the Financial Supervisory Service to change the Internal Rating Act in April 2020, the Bank's internal credit rating system was changed as a single group model was applied.

The gross carrying amount of loans, receivables and debt securities by credit risk grade as of December 31, 2020, is as follows:

(In millions of Korean won)

2020											
Loans and receivables									Debt securities		
Loans			Receivables			Subtotal			Fair value through other comprehensive income	Amortized cost	Subtotal
Lifetime expected credit losses			Lifetime expected credit losses						Twelve months expected credit losses	Twelve months expected credit losses	
Twelve months expected credit losses	Unrecognized impairment	Recognized impairment	Twelve months expected credit losses	Unrecognized impairment	Recognized impairment						
Grade 1	₩ 39,862,734	₩ 246,538	₩ -	₩ 263,249	₩ 461	₩ -	₩ 40,372,982	₩ 5,179,080	₩ 7,878,849	₩ 13,057,929	
Grade 2	24,524,870	2,868,053	-	119,983	6,811	-	27,519,717	-	-	-	
Grade 3	7,754,440	5,208,902	-	28,229	14,676	-	13,006,247	-	-	-	
Grade 4	65,066	2,818,599	604,107	4,459	12,723	3,497	3,508,451	-	-	-	
Non-graded	3,100,797	43,021	-	892,473	323	152	4,036,766	-	1,021	1,021	
	₩ 75,307,907	₩ 11,185,113	₩ 604,107	₩ 1,308,393	₩ 34,994	₩ 3,649	₩ 88,444,163	₩ 5,179,080	₩ 7,879,870	₩ 13,058,950	

Exposure to credit risk for loan commitments and guarantees and acceptances by credit risk grade as of December 31, 2020, is as follows:

(In millions of Korean won)

2020										
Loan commitments					Guarantees and acceptances					
Twelve months expected credit losses		Lifetime expected credit losses		Subtotal	Twelve months expected credit losses		Lifetime expected credit losses		Subtotal	
Unrecognized impairment	Recognized impairment	Unrecognized impairment	Recognized impairment		Unrecognized impairment	Recognized impairment	Unrecognized impairment	Recognized impairment		
Grade 1	₩ 13,422,842	₩ 43,681	₩ -	₩ 13,466,523	₩ 208,491	₩ 1,042	₩ -	₩ -	₩ 209,533	
Grade 2	4,635,919	459,091	-	5,095,010	493,651	102,876	-	-	596,527	
Grade 3	1,115,928	571,740	-	1,687,668	171,556	75,812	-	-	247,368	
Grade 4	11,156	142,226	68	153,450	-	24,500	14,633	-	39,133	
Non-graded	522,468	15,429	-	537,897	45,200	-	-	-	45,200	
	₩ 19,708,313	₩ 1,232,167	₩ 68	₩ 20,940,548	₩ 918,898	₩ 204,230	₩ 14,633	₩ -	₩ 1,137,761	

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The gross carrying amount of loans, receivables and debt securities by credit risk grade as of December 31, 2019, is as follows:

(In millions of
Korean won)

(In millions of Korean won)	2019											
	Loans and receivables							Debt securities				
								Fair value through other comprehens ive income	Amortized cost	Subtotal		
	Loans			Receivables							Subtotal	
	Lifetime expected credit losses			Lifetime expected credit losses								
Twelve months expected credit losses	Unrecognized impairment	Recognized impairment	Twelve months expected credit losses	Unrecognized impairment	Recognized impairment		Twelve months expected credit losses	Twelve months expected credit losses				
Grade 1	₩ 34,698,342	₩ 327,054	₩ -	₩ 271,469	₩ 302	₩ -	₩ 35,297,167	₩ 5,064,088	₩ 7,534,199	₩ 12,598,287		
Grade 2	22,377,574	2,330,986	-	53,449	2,591	-	24,764,600	-	-	-		
Grade 3	8,950,251	4,877,465	67	17,325	9,233	-	13,854,341	-	-	-		
Grade 4	713,868	2,263,477	785,300	1,020	5,437	2,477	3,771,579	-	-	-		
Non-graded	2,383,878	60,844	-	1,341,195	1,089	540	3,787,546	600	1,683	2,283		
	₩ 69,123,913	₩ 9,859,826	₩ 785,367	₩ 1,684,458	₩ 18,652	₩ 3,017	₩ 81,475,233	₩ 5,064,688	₩ 7,535,882	₩ 12,600,570		

Exposure to credit risk for loan commitments and guarantees and acceptances by credit risk grade as of December 31, 2019, is as follows:

(In millions of
Korean won)

(In millions of Korean won)

						2019				
Loan commitments						Guarantees and acceptances				
Lifetime expected credit losses						Lifetime expected credit losses				Subtotal
Twelve months expected credit losses	Unrecognized impairment	Recognized impairment	Subtotal		Twelve months expected credit losses	Unrecognized impairment	Recognized impairment			
Grade 1	₩ 12,402,274	₩ 68,141	₩ -	₩ 12,470,415	₩ 276,406	₩ 4,457	₩ 1	₩ 280,864		
Grade 2	4,575,276	394,977	-	4,970,253	470,896	94,873	-	565,769		
Grade 3	1,057,886	490,246	150	1,548,282	148,673	123,911	856	273,440		
Grade 4	75,305	107,906	29	183,240	5,564	18,669	4,767	29,000		
Non-graded	385,167	6,513	184	391,864	21,000	-	-	21,000		
	₩ 18,495,908	₩ 1,067,783	₩ 363	₩ 19,564,054	₩ 922,539	₩ 241,910	₩ 5,624	₩ 1,170,073		

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(e) Concentration analysis of credit risk

Details of loans and debt securities by borrower's country and industry as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Loans	Debt securities		
		FVTOCI	Amortized cost	Subtotal
Country:				
The Republic of Korea	₩ 85,795,123	₩ 5,179,080	₩ 7,858,128	₩ 13,037,208
China	122,585	-	-	-
Others	1,179,419	-	21,742	21,742
	<u>₩ 87,097,127</u>	<u>₩ 5,179,080</u>	<u>₩ 7,879,870</u>	<u>₩ 13,058,950</u>
Industry:				
Mining	₩ 35,465	₩ 76,995	₩ -	₩ 76,995
Manufacturing	19,364,235	-	-	-
Electricity, gas, steam and water service	530,607	183,056	499,515	682,571
Construction	2,594,957	300,428	479,653	780,081
Wholesale and retail	7,739,484	-	-	-
Transportation	2,073,070	220,596	143,356	363,952
Lodging and restaurant business	3,263,216	-	-	-
Publishing, visual entertainment, broadcasting and information	366,886	-	-	-
Financial and insurance business	2,041,168	1,980,132	2,651,975	4,632,107
Real estates and lease business	13,728,911	403,665	548,411	952,076
Business facility management and business support services	509,830	19,968	80,000	99,968
Public, national defense and social security system	333,591	1,918,344	3,458,503	5,376,847
Associations, organizations and household	3,563,057	75,896	10,000	85,896
Others	30,952,650	-	8,457	8,457
	<u>₩ 87,097,127</u>	<u>₩ 5,179,080</u>	<u>₩ 7,879,870</u>	<u>₩ 13,058,950</u>

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	2019			
	Loans	Debt securities		Subtotal
		FVTOCI	Amortized cost	
Country:				
The Republic of Korea	₩ 78,894,147	₩ 4,971,275	₩ 7,446,362	₩ 12,417,637
China	157,385	-	-	-
Others	717,573	93,413	89,520	182,933
	<u>₩ 79,769,105</u>	<u>₩ 5,064,688</u>	<u>₩ 7,535,882</u>	<u>₩ 12,600,570</u>
Industry:				
Mining	₩ 45,655	₩ 96,404	₩ 20,000	₩ 116,404
Manufacturing	19,165,544	-	-	-
Electricity, gas, steam and water service	476,403	325,075	556,314	881,389
Construction	2,458,497	220,628	404,606	625,234
Wholesale and retail	6,574,639	-	-	-
Transportation	2,091,890	240,274	106,936	347,210
Lodging and restaurant business	2,621,640	-	-	-
Publishing, visual entertainment, broadcasting and information	275,981	-	-	-
Financial and insurance business	1,135,336	1,926,126	2,491,579	4,417,705
Real estates and lease business	12,715,882	457,787	456,871	914,658
Business facility management and business support services	440,484	30,053	100,000	130,053
Public, national defense and social security system	83,393	1,732,588	3,387,894	5,120,482
Associations, organizations and household	3,361,750	35,753	10,000	45,753
Others	28,322,011	-	1,682	1,682
	<u>₩ 79,769,105</u>	<u>₩ 5,064,688</u>	<u>₩ 7,535,882</u>	<u>₩ 12,600,570</u>

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4.3 Liquidity Risk

(a) General

Liquidity risk is the risk that the Group is unable to meet its payment obligations arising from financial liabilities as they fall due. The Group classifies and discloses contractual maturity of all financial liabilities into six categories in relation to liquidity risk, such as immediately payable, less than one month, one month to three months, three months to one year, less than one year, one year to five years and more than five years. Although off-balance-sheet items, such as loan commitment and financial guarantees, have contractual maturities; they are separately disclosed, as the Group will pay them immediately upon counterparty's request for payment.

The cash flows disclosed in the maturity analysis are undiscounted contractual amounts, including principal and future interest payments, which resulted in disagreement with the discounted cash flows included in the consolidated statements of financial position.

(b) Liquidity risk management

General principles and the overall framework for managing liquidity risk across the Group are defined in the liquidity risk policy by risk management regulation, risk management instruction and liquidity risk manual.

All transactions that affect inflows and outflows of Korean/foreign currency funds across the Group are subject to the liquidity risk management. Liquidity risk is centrally managed and controlled by the Financial Planning Department, which reports its analysis and statics of the liquidity, including liquidity gap, liquidity ratio, maturity mismatch ratio and liquidity risk situation, to the asset-liability management committee ("ALCO"). The financial strategies that are required to achieve the Group's risk management goal, including liquidity risk management, are set out and overseen by the ALCO.

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(c) Remaining contractual maturity analysis of non-derivative and derivative financial liabilities

The Group's non-derivative financial liabilities as of December 31, 2020, are summarized by remaining contractual maturity as follows:

(In millions of Korean won)

	2020					
	Less than one month	1 month–3 months	3–12 months	1 year–5 years	More than five years	Total
Financial liabilities ¹:						
Deposits	₩40,959,828	₩10,646,310	₩29,457,942	₩ 2,272,864	₩ 210,362	₩83,547,306
Borrowings	3,008,209	1,040,585	1,084,725	1,411,968	346,244	6,891,731
Debentures	549,189	1,073,396	2,627,260	6,695,070	627,946	11,572,861
Other financial liabilities ²	1,979,072	31,952	153,164	195,372	311,971	2,671,531
	<u>₩46,496,298</u>	<u>₩12,792,243</u>	<u>₩33,323,091</u>	<u>₩10,575,274</u>	<u>₩1,496,523</u>	<u>₩104,683,429</u>
Derivative liabilities:						
Derivatives for hedging ³	₩ -	₩ -	₩ -	₩ -	₩ 1,004	₩ 1,004
Derivatives for trading	13,554	20,505	21,142	8,337	-	63,538
	<u>₩ 13,554</u>	<u>₩ 20,505</u>	<u>₩ 21,142</u>	<u>₩ 8,337</u>	<u>₩ 1,004</u>	<u>₩ 64,542</u>

¹ Financial liabilities include principal and interest.

² Other financial liabilities consist of accounts payable, expenses payable, deposits for rental income and lease liabilities.

³ For hedging derivative financial instruments, cash flows are estimated by offsetting cash inflows and cash outflows.

(d) Marginal residual maturity (payment guarantee, commitments and others)

Guarantees, loan commitments and other credit facilities provided by the Group have maturities. However, if the counterparty requests the payment immediately, the payment must be fulfilled. The off-balance-sheet items as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Guarantees	₩ 1,137,761	₩ 1,170,073
Loan commitments	21,967,307	20,121,504
	<u>₩ 23,105,068</u>	<u>₩ 21,291,577</u>

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4.4 Market Risk

(a) General

Market risk is the risk to the Group's earnings arising from changes in interest rates, stock price, currency exchange rates and commodity prices. It is derived from loans, deposits, securities and derivatives, and generated through both trading and non-trading positions. The trading market risk that the Group is mainly exposed to is the interest rate risk arising from the change in the value of debt instruments and interest rate-embedded securities due to changes in market interest rate. The Group is additionally exposed to stock price and foreign exchange rate fluctuation risk arising from loans, receivables, deposits, securities and financial derivatives.

(b) Market risk management

The Group monitors and sets up the economic capital limit of market risk and interest rate risk to manage trading and non-trading positions. To manage market risk effectively, trading position enforces trading policy regulation and market risk manual, while non-trading position enforces interest rate risk manual, risk management system and procedure. All such processes are approved by the Group's ALCO and risk management council.

The Group's risk management council establishes overall market risk management principles. It has delegated the responsibility of the market risk management for trading activities to the Market Risk Management Subcommittee of the Group. Based on the policies approved by the Group's risk management council, the Market Risk Management Subcommittee reviews and approves reports as required that include trading profits and losses, position reports, limit utilization, sensitivity analysis and VaR results from the trading activities.

Determination of interest rate and commission rate, enactment and amendment of asset-liability management ("ALM") risk management policy and interest rate and commission rate guidelines and analysis of monthly ALM risks are the responsibilities of the ALCO. Interest rate risk limits are determined based on asset-liability position and expected interest rate volatility considering annual operational planning, and are centrally measured and monitored by the financial planning team. Responsibility for management of interest rate risks, such as interest rate gap, duration gap, sensitivity and compliance, with interest rate risk limits policy resides with the Risk Management department, which reports the results to the ALCO on a monthly basis.

(c) Trading position

a. Definition of trading position

The trading position in accordance with 'Regulation of Trading Policy' is subject to the trading market management. The basic requirements of the trading position are as follows:

- The target position is not restricted to the sale. It is daily evaluated at fair value and should be a hedge against important risks in the market.

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- The trading position should be controlled by the instruction of the trading policy and managed by a separate trading department.
- The target position is operated in accordance with a documented trading strategy and the limit of trading should be controlled.
- Without the prior approval, a professional dealer or an operation division for the target position should be authorized to handle transactions within the predetermined limit.
- The target position to control risk should be periodically reported to management.

b. Measurement of market risk occurring at trading position

The Group measures market risk as VaR that is calculated by market risk management system. It generally manages market risk arising from the trading position at the level of the portfolio.

To manage the market risk, the Group monitors and sets up the economic capital limit based on VaR. It sets up and monitors the economic capital limit, position limit and loss cut within the economic capital limit. According to the regulations and rules of the Financial Supervisory Service, the Group controls and manages risks of derivative transactions.

c. VaR

① VaR measurement

The Group uses daily VaR to measure market risk. Daily VaR is a statistically estimated maximum amount of loss that could occur in one day under normal distribution of financial variables. The Group uses a 99% single-tail confidence level, based on past 250 business days, to measure daily VaR, which means the actual amount of loss may exceed the VaR, on average, once out of 100 business days. VaR is a commonly used market risk management technique; however, this approach does have some shortcomings.

The VaR measures the potential loss in value of a risky asset or portfolio based on historical market movements over a defined period for a given confidence interval. However, it is not always possible in practice that the historical market movements reflect all future conditions and circumstances, which results in variance in actual loss timing and size due to the changes in assumptions used in the calculation. In addition, the time periods used for the model, generally one day or 10 days, are assumed to be sufficient holding periods before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, the VaR results may understate or overstate the potential loss.

② Back testing

The Group conducts back testing on a daily basis to validate the adequacy of market risk. In back testing, the Group compares both the actual and hypothetical profit and loss with the VaR calculations, and analyzes any results that fall outside its predetermined confidence interval of 99%.

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③ Stress testing

The Group uses stress testing to assess market risk exposure to abnormal market fluctuations, such as interest rate, equity price, exchange rate and implied volatility of derivatives. The Group uses not only historical scenarios as a main scenario, but also hypothetical scenarios as a supplementary analysis. Stress testing projects the anticipated change in value of holding positions under certain scenarios assuming that no action is taken during a stress event to change the risk profile of a portfolio. Stress testing is conducted at least more than once within a quarter.

i) Busan Bank

The following table shows VaR as of December 31, 2020 and 2019, at 99% confidence level for a one-day holding period, for interest rate risk, equity price risk and foreign exchange rate risk related to trading activities.

<i>(In millions of Korean won)</i>	2020			
	Maximum	Minimum	Average	Ending
Interest rate risk	₩ 506	₩ 463	₩ 526	₩ 261
Equity price risk	-	35	17	-
Foreign exchange rate risk	1,010	218	357	403
Diversification	(448)	(377)	(249)	(124)
Total VaR	₩ 1,068	₩ 339	₩ 651	₩ 540

<i>(In millions of Korean won)</i>	2019			
	Maximum	Minimum	Average	Ending
Interest rate risk	₩ 644	₩ 186	₩ 348	₩ 505
Equity price risk	264	-	110	-
Foreign exchange rate risk	1,099	17	160	133
Diversification	(765)	(13)	(227)	(218)
Total VaR	₩ 1,242	₩ 190	₩ 391	₩ 420

ii) Kyongnam Bank

The following table shows VaR as of December 31, 2020 and 2019, at 99% confidence level for a one-day holding period, for interest rate risk, equity price risk and foreign exchange rate risk related to trading activities.

<i>(In millions of Korean won)</i>	2020			
	Maximum	Minimum	Average	Ending
Interest rate risk	₩ 100	₩ 67	₩ 121	₩ 162
Equity price risk	486	6	81	7
Foreign exchange rate risk	6	2	10	12
Diversification	(55)	(6)	(23)	(14)
Total VaR	₩ 537	₩ 69	₩ 189	₩ 167

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(In millions of Korean won)	2019			
	Maximum	Minimum	Average	Ending
Interest rate risk	₩ 63	₩ 64	₩ 80	₩ 65
Equity price risk	241	17	171	198
Foreign exchange rate risk	203	2	11	8
Diversification	(64)	(5)	(25)	(18)
Total VaR	₩ 443	₩ 78	₩ 237	₩ 253

The total VaR becomes smaller than the total of interest rate risk, equity price risk and foreign exchange rate risk due to diversification effect.

d. Details by risk factors

① Interest rate risk

Interest rate risk from trading activities arises mainly from the Group's trading of Korean-won-denominated debt securities. The Group's trading strategy is to benefit from short-term movements in the prices of debt securities arising from changes in interest rates. As the Group's trading accounts are marked to market daily, it manages the interest risk related to its trading accounts using market value-based tools, such as VaR and sensitivity analysis.

② Equity price risk

Equity price risk results from the Group's equity trading portfolio in Korean won since it does not have any trading exposure to shares denominated in foreign currencies. The equity trading portfolio in Korean won consists of exchange-traded stocks and nearest-month or second-nearest-month futures contracts under the strict diversified investment limits. The Group's risk management council sets annual and monthly stop-loss limits, position limits and sensitivity limits that are daily monitored by its Risk Management department.

③ Foreign exchange rate risk

Foreign exchange rate risk arises because the Group has assets and liabilities that are denominated in currencies other than Korean won, as well as off-balance-sheet items, such as foreign exchange forwards and currency swaps. Assets and liabilities denominated in U.S. dollars, Japanese yen and Euro are typically accounted for the majority of the Group's foreign currency assets and liabilities. The Group oversees its foreign exchange rate exposure for both trading and non-trading purposes by establishing a limit for net foreign currency open position, together with stop-loss limits.

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		2020									
		USD		JPY		EUR		CNY		Others	
(In millions of USD, JPY, EUR, CNY and in millions of Korean won)		Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Korean won equivalent	
Assets	Cash and cash equivalents	422	₩ 459,500	6,962	₩ 73,396	49	₩ 66,178	144	₩ 24,002	₩ 29,021	
	Financial assets at fair value through profit or loss	39	42,192	-	-	-	-	-	-	-	
	Financial assets at fair value through other comprehensive income	85	92,083	-	-	-	-	-	-	-	
	Financial assets at amortized cost	77	83,687	-	-	-	-	-	-	-	
	Loans and receivables	1,475	1,605,112	18,052	190,315	55	73,212	655	109,330	50,243	
		2,098	2,282,574	25,014	263,711	104	139,390	799	133,332	79,264	
Liabilities	Deposit liabilities	1,019	1,108,356	9,171	96,682	41	54,300	315	52,634	17,297	
	Borrowings	571	621,776	12,835	135,319	32	43,206	172	28,753	42,065	
	Other liabilities	251	273,032	1,028	10,841	6	8,312	76	12,636	778	
		1,841	₩ 2,003,164	23,034	₩ 242,842	79	₩ 105,818	563	₩ 94,023	₩ 60,140	
		2019									
		USD		JPY		EUR		CNY		Others	
(In millions of USD, JPY, EUR, CNY and in millions of Korean won)		Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Korean won equivalent	
Assets	Cash and cash equivalents	434	₩ 502,324	8,950	₩ 95,185	38	₩ 49,907	296	₩ 49,015	₩ 37,409	
	Financial assets at fair value through profit or loss	14	16,194	-	-	-	-	-	-	-	
	Financial assets at fair value through other comprehensive income	93	107,908	-	-	-	-	-	-	-	
	Financial assets at amortized cost	91	104,788	-	-	-	-	-	-	-	
	Loans and receivables	1,528	1,769,080	21,769	231,505	61	78,903	469	77,848	57,947	
		2,160	2,500,294	30,719	326,690	99	128,810	765	126,863	95,356	
Liabilities	Deposit liabilities	762	882,092	10,797	114,820	40	52,415	455	75,479	21,922	
	Borrowings	610	706,619	16,545	175,950	27	35,414	81	13,483	41,596	
	Other liabilities	726	840,728	1,399	14,877	13	15,757	481	79,570	127,901	
		2,098	₩ 2,429,439	28,741	₩ 305,647	80	₩ 103,586	1,017	₩ 168,532	₩ 191,419	

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(d) Market risk management for non-trading activities

a. Definition of non-trading position

The Group's principal market risk from non-trading activities is interest rate risk. Interest rate risk arises due to mismatches in the maturities or repricing periods of the rate-sensitive assets and liabilities. The Group measures interest rate risk for Korean won and foreign currency assets and liabilities in its bank accounts (including derivatives) and its principal-guaranteed trust accounts. Most of its interest-earning assets and interest-bearing liabilities are denominated in Korean won, and its foreign-currency-denominated assets and liabilities are mostly denominated in U.S. dollars.

b. Measurement of market risk occurring at non-trading position

The Group's principal interest rate risk management objectives are to generate stable net interest revenues and to protect its asset value against interest rate fluctuations. The Group principally manages this risk for its non-trading activities by analyzing and managing maturity and duration gaps between its interest-earning assets and interest-bearing liabilities.

4.5 Operational Risk

(a) General

The Group defines operational risk broadly to include all financial and non-financial risks that may arise from its operations that could negatively affect its capital.

(b) Operational risk management

The Group's operational risk management objectives include not only satisfying regulatory requirements, but also providing internal support through the encouragement of a strong risk management culture, reinforcement of internal controls, improvement of work processes and provision of timely feedback to management members and staff throughout the Group.

4.6 Capital Management

In accordance with financial holding Group regulations, the Group is required to maintain a minimum 8% of the capital adequacy ratio. The capital adequacy ratio must correspond to the standard of capital regulation of the Bank for International Settlements (BIS), and is calculated by dividing own capital by asset (weighted with a risk premium – risk-weighted assets) based on the consolidated financial statements of a holding group. The Group calculates its capital adequacy ratio under Basel I, according to the Regulation on the Supervision of Financial Holding Companies.

In accordance with financial holding group regulations, the Group must maintain the share capital - common ratio of 7.0%, Tier 1 capital ratio of 8.5% and total capital ratio of 10.5% as of December 31, 2020.

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The risk-weighted asset includes intrinsic risks in total assets, errors of internal operation processes and loss risk from external events. It indicates a size of assets reflecting the level of risks that the Group bears. The Group computes the risk-weighted asset by risk (credit risk, market risk and operational risk) and uses it for calculation of BIS capital ratio.

The Group's BIS capital ratios as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
Share capital - common (A)	₩	7,679,421	₩	7,192,130
Other basic capital (B)		1,205,259		1,204,856
Tier 2 capital (C)		1,130,275		1,365,920
Total capital (D)	₩	10,014,955	₩	9,762,906
Credit risk-weighted assets	₩	70,352,853	₩	69,883,300
Market risk-weighted assets		656,986		651,614
Operational risk-weighted assets		5,039,451		4,878,328
Total risk-weighted assets (E)	₩	76,049,290	₩	75,413,242
Share capital - common ratio (A/E) (%)		10.10		9.54
Tier 1 capital ratio ((A+B)/E) (%)		11.68		11.13
Total capital ratio (D/E) (%)		13.17		12.95

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5. Operating Segment Information:

(a) Segment report and division information

Segment information indicates details of the Group's divisions. Main divisions of business are based on the Group's internal report. The Group consists of six business divisions: two divisions of bank, securities, capital, savings bank and other. Such business divisions are divided by products, characteristics of services, customers and organization of the Group. Based on these categories, the main information by divisions is disclosed as follows:

Operations by divisions for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020						Total	Adjustment	Consolidated financial statements
	Busan Bank	Kyongnam Bank	BNK Capital Co., Ltd.	BNK Securities Co., Ltd.	BNK Savings Bank	Others			
Net interest income (expenses)	₩ 1,119,253	₩ 794,571	₩ 244,031	₩ 23,406	₩ 36,491	₩ (25,166)	₩ 2,192,586	₩ (8,045)	₩ 2,184,541
Net commission income	140,916	72,636	39,111	95,972	1,128	28,241	378,004	(14,271)	363,733
Net gain on financial assets at fair value through profit or loss	13,422	16,521	6,762	76,180	322	10,155	123,362	236	123,598
Net gain on financial assets at fair value through other comprehensive income	21,632	17,218	-	209	-	-	39,059	(260)	38,799
Net loss on financial assets at amortized cost	(64)	(1,339)	-	-	-	-	(1,403)	-	(1,403)
Reversal of provision for credit loss and others (contribution to)	(97,969)	(138,228)	(131,483)	(3,947)	3,525	-	(368,102)	510	(367,592)
General and administrative expenses	(695,498)	(463,335)	(86,143)	(109,695)	(19,555)	(69,220)	(1,443,446)	6,718	(1,436,728)
Other operating income (expenses), net	(83,932)	(80,282)	21,492	(10,837)	(3,398)	316,753	159,796	(316,553)	(156,757)
Operating profit	417,760	217,762	93,770	71,288	18,513	260,763	1,079,856	(331,665)	748,191
Non-operating income (expenses), net	(21,004)	(9,807)	899	387	583	3,518	(25,424)	11,651	(13,773)
Profit before income tax	396,756	207,955	94,669	71,675	19,096	264,281	1,054,432	(320,014)	734,418
Income tax expense	(88,293)	(43,361)	(22,815)	(18,278)	(2,497)	(3,434)	(178,678)	6,815	(171,863)
Profit for the year	₩ 308,463	₩ 164,594	₩ 71,854	₩ 53,397	₩ 16,599	₩ 260,847	₩ 875,754	₩ (313,199)	₩ 562,555
Total assets	₩60,392,220	₩42,145,447	₩6,763,415	₩ 2,886,257	₩1,349,472	₩6,563,389	₩120,100,200	₩ (5,943,329)	₩ 114,156,871
Total liabilities	₩55,091,166	₩38,715,367	₩6,000,398	₩ 2,188,512	₩1,181,422	₩1,205,207	₩104,382,072	₩ 148,517	₩ 104,530,589

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(In millions of Korean won)	2019								Consolidated financial statements
	Busan Bank	Kyongnam Bank	BNK Capital Co., Ltd.	BNK Securities Co., Ltd.	BNK Savings Bank	Others	Total	Adjustment	
Net interest income (expenses)	₩ 1,152,985	₩ 802,330	₩ 224,410	₩ 13,223	₩ 37,857	₩ (30,075)	₩ 2,200,730	₩ (13,956)	₩ 2,186,774
Net commission income	92,024	57,380	29,997	46,321	1,371	24,107	251,200	(4,763)	246,437
Net gain on financial assets at fair value through profit or loss	32,067	20,371	723	38,863	3,289	3,099	98,412	3,089	101,501
Net gain on financial assets at fair value through other comprehensive income	7,546	10,595	-	164	-	-	18,305	22	18,327
Net loss on financial assets at amortized cost	(218)	(92)	-	-	-	-	(310)	-	(310)
Reversal of provision for credit loss and others (contribution to)	(109,415)	(128,676)	(88,752)	(1,051)	3,619	-	(324,275)	5	(324,270)
General and administrative expenses	(606,611)	(449,169)	(79,113)	(68,110)	(18,957)	62,653	(1,159,307)	(114,058)	(1,273,365)
Other operating income (expenses), net	(67,036)	(81,362)	15,828	(826)	(3,735)	38,649	(98,482)	(49,729)	(148,211)
Operating profit	501,342	231,377	103,093	28,584	23,444	98,433	986,273	(179,390)	806,883
Non-operating income (expenses), net	(12,981)	2,544	(201)	226	876	126	(9,410)	(4,099)	(13,509)
Profit before income tax	488,361	233,921	102,892	28,810	24,320	98,559	976,863	(183,489)	793,374
Income tax expense	(113,547)	(52,210)	(24,030)	(7,826)	(4,303)	(1,944)	(203,860)	9,433	(194,427)
Profit for the year	₩ 374,814	₩ 181,711	₩ 78,862	₩ 20,984	₩ 20,017	₩ 96,615	₩ 773,003	₩ (174,056)	₩ 598,947
Total assets	₩56,263,405	₩39,296,261	₩5,425,262	₩ 2,372,112	₩ 1,084,684	₩ 6,245,495	₩110,687,219	₩ (6,148,448)	₩ 104,538,771
Total liabilities	₩51,048,211	₩35,898,643	₩4,708,984	₩ 1,930,045	₩ 933,233	₩ 1,162,859	₩ 95,681,975	₩ (324,374)	₩ 95,357,601

(b) Information on financial services and geographical areas

As the financial products of the Group are categorized as interest bearing, non-interest bearing and others, and the categorization is already reflected in the composition of the reportable segments above, revenue from external customers is not separately disclosed. Revenue by geographical areas is not separately disclosed as the Group operates its business domestically.

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6. Financial Assets and Financial Liabilities:

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) The carrying amount of financial instruments by category

The carrying amounts and fair value of financial assets and financial liabilities by each category as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and due from bank	₩ 4,505,069	₩ 4,505,069	₩ 4,148,498	₩ 4,148,498
Financial assets at fair value through profit or loss	4,583,427	4,583,427	3,839,224	3,839,224
Financial assets at fair value through other comprehensive income	5,349,830	5,349,830	5,267,070	5,267,070
Financial assets at amortized cost	7,877,347	7,974,996	7,534,761	7,619,603
Loans and receivables	87,700,654	88,537,395	80,657,226	81,741,501
Derivative assets	79,026	79,026	35,960	35,960
	<u>₩ 110,095,353</u>	<u>₩ 111,029,743</u>	<u>₩ 101,482,739</u>	<u>₩ 102,651,856</u>
Financial liabilities:				
Deposit liabilities	₩ 83,032,717	₩ 83,045,139	₩ 76,609,540	₩ 76,635,281
Borrowings	6,835,743	6,817,831	5,079,228	5,079,744
Debentures	11,247,990	11,401,821	10,185,756	9,202,098
Derivative liabilities	64,542	64,542	42,540	42,540
Other financial liabilities ¹	2,954,518	2,954,518	3,006,478	3,012,711
	<u>₩ 104,135,510</u>	<u>₩ 104,283,851</u>	<u>₩ 94,923,542</u>	<u>₩ 93,972,374</u>

¹ Other financial liabilities consist of accounts payables and accrued expenses.

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(b) Fair value measurement method and assumptions by financial instruments

Fair value assessment method and assumptions for each type of financial instruments are as follows:

Classification	Fair value measurement technique
Cash and due from banks	The carrying amounts of cash are assumed to be, and demand due from banks and payment due from banks are reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from banks is measured using DCF model (Discounted Cash Flow Model). However, if the contractual maturity and the interest resetting period from the settlement date are within three months, the carrying amounts are assumed to be the fair value.
Securities	The fair value of financial instruments that are quoted in active markets is determined using the quoted prices. Fair value is determined by independent third-party pricing services when quoted prices are not available. Pricing services use one or more of the valuation techniques, including DCF Model ("DCF"), Imputed Market Value Model ("IMV"), Free Cash Flow to Equity Model, Dividend Discount Model, Risk-Adjusted Discount Rate Method and Net Asset Value Method.
Derivatives	For exchange-traded derivative, a quoted price in active market is used to determine fair value and for over-the-counter ("OTC") derivative, fair value is determined using valuation techniques. The Consolidated Entity uses internally developed valuation models that are widely used by market participants to determine fair value of plain OTC derivatives, including options, interest rate swap and currency swap, based on observable market parameters. However, some complex financial instruments are valued using advanced internal valuation model or the results of independent pricing services, where part or all of the inputs are not observable in the market. OTC derivatives with closed-form solution in its valuation are valued using appropriate model. Complex derivative instruments where its valuation method cannot be defined by closed-form solution are valued using techniques, including Finite Difference Method and Monte Carlo Simulation.
Loans and receivables	DCF is used to determine the fair value of loans and receivables. When DCF Model is applied, the expected cash flow is calculated by applying the early redemption risk rate to the contractual cash flow calculated according to the contract terms, and discounted at appropriate discount rate to calculate fair value. For those loans and receivables with the residual maturities of less than three months as of the closing date and the ones with reset period of less than three months, the carrying amount is regarded as fair value.
Deposit liabilities	The carrying amount of demand deposit is regarded as fair value as it does not have maturity and the amount approximates the fair value. Fair value of time deposit is determined using DCF. Fair value is determined using appropriate discount rate and the expected cash flows by contractual cash flows with prepayment rate taken into account. For those deposits with the residual maturities of less than three months as of the closing date and the ones with a reset period of less than three months, the carrying amount is regarded as fair value.
Borrowings	Fair value is determined using DCF discounting contractual future cash flows by appropriate discount rate. However, for those borrowings with the residual maturities of less than three months as of the closing date and the ones with a reset period of less than three months, the carrying amount is regarded as fair value.
Debentures	Fair value is determined by using the valuation of independent third-party pricing services in accordance with the market prices that are quoted in active markets.
Other financial liabilities	Other financial liabilities mainly consist of financial liabilities with a remaining maturity of three months or less as of the settlement date, and the carrying amount is regarded as fair value.

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(c) Fair Value Hierarchy Classifications of the Financial Instruments that are Subsequently Measured at Fair Value

Fair value hierarchy classifications of the financial instruments that are subsequently measured at fair value as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		2020			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets at fair value through profit or loss	₩	333,254	₩ 3,203,127	₩ 1,047,046	₩ 4,583,427
Financial assets at fair value through other comprehensive income		1,543,873	3,653,822	152,135	5,349,830
Loans receivables at fair value through profit or loss		-	-	7,349	7,349
Derivative assets		4	65,908	13,114	79,026
	₩	<u>1,877,131</u>	₩ <u>6,922,857</u>	₩ <u>1,219,644</u>	₩ <u>10,019,632</u>
Financial liabilities:					
Borrowings	₩	10,222	₩ -	₩ -	₩ 10,222
Derivative liabilities		-	63,538	1,004	64,542
	₩	<u>10,222</u>	₩ <u>63,538</u>	₩ <u>1,004</u>	₩ <u>74,764</u>

(In millions of Korean won)

		2019			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets at fair value through profit or loss	₩	257,196	₩ 2,726,718	₩ 855,310	₩ 3,839,224
Financial assets at fair value through other comprehensive income		1,381,522	3,699,582	185,966	5,267,070
Loans receivables at fair value through profit or loss		-	-	6,755	6,755
Derivative assets		-	35,105	855	35,960
	₩	<u>1,638,718</u>	₩ <u>6,461,405</u>	₩ <u>1,048,886</u>	₩ <u>9,149,009</u>
Financial liabilities:					
Borrowings	₩	42,057	₩ 10,023	₩ -	₩ 52,080
Derivative liabilities		-	42,227	313	42,540
	₩	<u>42,057</u>	₩ <u>52,250</u>	₩ <u>313</u>	₩ <u>94,620</u>

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The valuation techniques and input variables of Level 2 financial instruments, subsequently measured at fair value, as of December 31, 2020 and 2019, are as follows:

	2020			
(In millions of Korean won)	Fair value	Valuation techniques	Input variables	
Financial assets:				
Financial assets at fair value through profit or loss				
Debt securities	₩ 2,688,131	DCF Model	Discount rate, Exchange rate	
Other securities	514,996	DCF Model, Net Asset Value Method	Discount rate, Value of underlying assets	
Financial assets at fair value through other comprehensive income				
Debt securities	3,653,822	DCF Model	Discount rate, Exchange rate	
Derivative assets	65,908	DCF Model	Discount rate, Exchange rate	
Financial liabilities:				
Derivative liabilities	₩ 63,538	DCF Model	Discount rate, Exchange rate	
	2019			
(In millions of Korean won)	Fair value	Valuation techniques	Input variables	
Financial assets:				
Financial assets at fair value through profit or loss				
Debt securities	₩ 2,532,101	DCF Model	Discount rate, Exchange rate	
Other securities	194,617	DCF Model, Net Asset Value Method	Discount rate, Value of underlying assets	
Financial assets at fair value through other comprehensive income				
Debt securities	3,699,582	DCF Model	Discount rate, Exchange rate	
Derivative assets	35,105	DCF Model	Discount rate, Exchange rate	
Financial liabilities:				
Borrowings	₩ 10,023	DCF Model	Discount rate, Exchange rate	
Derivative liabilities	42,227	DCF Model	Discount rate, Exchange rate	

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The valuation techniques, input variables and range of significant unobservable input variables of Level 3 financial instruments, which are subsequently measured at fair value, as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	Fair value		Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
		2020			
Financial assets					
Financial assets at fair value through profit or loss	₩	1,047,046			
Equity securities		63,796	Net Asset Value Method, DCF Model, Binomial Trees and others	Value of underlying assets Discount rate: 14.64%–19.05% Volatility: 22.31%–32.03% Growth rate: 0%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), volatility increases (decreases) or growth rate increases (decreases)
Debt securities		61,662	Lease Square Monte Carlo ("LSMC")	Volatility: 15.14%–31.15%	Fair value increases (decreases) when volatility increases (decreases)
Other securities		921,588	Net Asset Value Method, Free Cash Flow Equity Model, Dividend Discount Model and Binomial Trees	Value of underlying assets Discount rate: 1.58%–16.15% Growth rate: 0.00% Liquidation value: -1.00%–1.00% Volatility: 0.00%–44.10%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), growth rate increases (decreases), liquidation value increases (decreases) or volatility increases (decreases)
Financial assets at fair value through other comprehensive income		152,135			
Equity securities		152,135	Net Asset Value Method, Free Cash Flow Equity Model, Dividend Discount Model, Comparable Company Analysis, DCF Model and others	Value of underlying assets Discount rate: 9.90%–19.68% Growth rate: 0.00%–1.00% Liquidation value: -1.00%–1.00%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), growth rate increases (decreases) or liquidation value increases (decreases)
Loans receivables at fair value through profit or loss		7,349			

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(In millions of Korean won)	Fair value		Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
	2020				
Hybrid (combined) instruments	7,349	Binomial Trees and LSMC	Volatility: 22.11%–40.14% Discount rate: 1.53%–14.07%	Fair value increases (decreases) when volatility increases (decreases) or discount rate decreases (increases)	
Derivative assets	13,114	Binomial Trees and Monte Carlo simulation	Volatility: 0.46% Discount rate: 0.66%–1.32%	Fair value increases (decreases) when volatility increases (decreases) or discount rate decreases (increases)	
Financial liability					
Derivative liabilities	1,004	Binomial Trees and Monte Carlo simulation	Volatility: 0.46% Discount rate: 0.66%–1.32%	Fair value increases (decreases) when volatility increases (decreases) or discount rate decreases (increases)	
(In millions of Korean won)	Fair value		Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
	2019				
Financial assets					
Financial assets at fair value through profit or loss	₩ 855,310				
Equity securities	17,669	Net Asset Value Method, DCF Model and Binomial Trees	Value of underlying assets Discount rate: 8.37%– 16.57% Growth rate: 0–3.00% Volatility: 27.7%–38.7%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), volatility increases (decreases) or growth rate increases (decreases)	
Debt securities	19,293	Binomial Trees	Volatility: 8.37–47.98%	Fair value increases when volatility increases	
Other securities	818,348	Net Asset Value Method, Free Cash Flow Equity Model, Dividend Discount Model, Binomial Trees and others	Value of underlying assets Discount rate: 4.61%– 18.34% Growth rate: 0.00%–1.00% Liquidation value: -1.00%– 1.00% Volatility: 0.0%–47.98%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), growth rate increases (decreases), liquidation value increases (decreases) or volatility increases (decreases)	
Financial assets at fair value through other comprehensive income	185,966				

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<i>(In millions of Korean won)</i>	Fair value	Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
	2019			
Equity securities	185,966	Net Asset Value Method, Free Cash Flow Equity Model, Dividend Discount Model, DCF Model and others	Value of underlying assets Discount rate: 3.39%–17.89% Growth rate: 0.00%–1.00% Liquidation value: -1.00%–1.00%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), growth rate increases (decreases) or liquidation value increases (decreases)
Loans receivables at fair value through profit or loss	6,755			
Hybrid (combined) instruments	6,755	Binomial Trees	Volatility: 21.17% Discount rate: 1.46%	Fair value increases (decreases) when volatility increases (decreases) or discount rate decreases (increases)
Derivative assets	855	Binomial Trees	Volatility: 0.05%–17.12% Discount rate: 1.66%–11.30%	Fair value increases (decreases) when volatility increases (decreases) or discount rate decreases (increases)
Financial liability				
Derivative liabilities	313	Binomial Trees	Volatility: 0.51% Discount rate: 1.38%–1.94%	Fair value increases (decreases) when volatility increases (decreases) or discount rate decreases (increases)

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The following table shows the sensitivity analysis to disclose the effect of reasonably possible alternative assumptions on the fair value of Level 3 financial instruments for the years ended December 31, 2020 and 2019:

		2020			
		Profit (loss) for the year		Other comprehensive income	
		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
<i>(In millions of Korean won)</i>					
Financial assets					
Financial assets at fair value through profit or loss ¹	₩	6,455	₩ (5,780)	₩ -	₩ -
Financial assets at fair value through other comprehensive income ¹		-	-	5,396	(4,033)
Loans receivables at fair value through profit or loss ²		563	(493)	-	-
Derivative assets ³		942	(3,003)	-	-
Financial liabilities					
Derivative liabilities ³		2,416	(9,745)	-	-
	₩	10,376	₩ (19,021)	₩ 5,396	₩ (4,033)

¹ Fair value changes of securities are calculated by increasing or decreasing growth rate (0%–1%) and discount rate (-1%–1%) or liquidation value (-1%–1%) and discount rate (-1%–1%). The growth rate, discount rate and liquidation value are major unobservable inputs.

² Fair value changes in privately placed convertible bonds are calculated by increasing or decreasing stock price (-20%–20%), commodity price (-20%–20%), interest rate (-2%p–2%p), value in Korean won (-10%–10%) and credit premium (added interest rate) (-5%p–5%p). The stock price, commodity price, interest rate, value in Korean won and credit premium are major unobservable inputs.

³ Fair value changes in Callable Interest Rate Swap (“IRS”) are calculated by increasing or decreasing KRW Swaption by 10%. The KRW Swaption is major unobservable input.

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	2019			
	Profit (loss) for the year		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets at fair value through profit or loss ¹	₩ 2,936	₩ (2,457)	₩ -	₩ -
Financial assets at fair value through other comprehensive income ¹	-	-	21,037	(9,726)
Loans receivables at fair value through profit or loss ²	942	(616)	-	-
Derivative assets ³	2,326	(10,904)	-	-
Financial liabilities				
Derivative liabilities ³	4,844	(27,751)	-	-
	₩ 11,048	₩ (41,728)	₩ 21,037	₩ (9,726)

¹ Fair value changes of securities are calculated by increasing or decreasing growth rate (0% - 1%) and discount rate (-1% - 1%) or liquidation value (-1% - 1%) and discount rate (-1% - 1%). The growth rate, discount rate and liquidation value are major unobservable inputs.

² Fair value changes in privately placed convertible bonds are calculated by increasing or decreasing stock price (-20% - 20%), commodity price (-20% - 20%), interest rate (-2%p - 2%p), value in Korean won (-10% - 10%) and credit premium (added interest rate) (-5%p - 5%p). The stock price, commodity price, interest rate, value in Korean won and credit premium are major unobservable inputs.

³ Fair value changes in Callable IRS are calculated by increasing or decreasing KRW Swaption by 10%. The KRW Swaption is major unobservable input.

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Changes in Level 3 financial instruments subsequently measured at fair value for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020									
	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Loans receivables at fair value through profit or loss		Derivative assets		Derivative liabilities	
Beginning balance	₩	855,310	₩	185,966	₩	6,755	₩	855	₩	313
Total profit or loss										
Amount recognized in profit or loss ¹		8,646		-		594		12,259		691
Amount recognized in other comprehensive income		-		(34,190)		-		-		-
Purchases		389,546		370		-		-		-
Sales		(161,416)		(11)		-		-		-
Settlement		-		-		-		-		-
Other changes										
Transfer into Level 3 ²		11,999		-		-		-		-
Transfer into other levels ²		(5,924)		-		-		-		-
Reclassification		(51,115)		-		-		-		-
Ending balance	₩	1,047,046	₩	152,135	₩	7,349	₩	13,114	₩	1,004

¹ In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the year and total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period in the consolidated statement of comprehensive income for the year ended December 31, 2020, are as follows:

	Financial assets at fair value through profit or loss		Loans receivables at fair value through profit or loss		Derivatives	
(In millions of Korean won)						
Profit for the year	₩	8,646	₩	594	₩	11,568
Change in unrealized gain		4,753		639		11,568

² It moved from Level 3 to Level 1 due to listing of equity securities during the year ended December 31, 2020.

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(In millions of Korean won)

(In millions of Korean won)

	2019									
	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Loans receivables at fair value through profit or loss		Derivative assets	Derivative liabilities		
Beginning balance	₩	803,222	₩	166,002	₩	3,279	₩	1,072	₩	2,869
Changes due to business combination		79		-		200		-		-
Total profit or loss										
Amount recognized in profit or loss ¹		7,359		-		776		855		313
Amount recognized in other comprehensive income		-		17,113		-		-		-
Purchases		194,787		4,912		2,500		-		-
Sales		(91,945)		(2,061)		-		-		-
Settlement		-		-		-		(1,072)		(2,869)
Reclassification		(58,192)		-		-		-		-
Ending balance	₩	855,310	₩	185,966	₩	6,755	₩	855	₩	313

¹ In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the year and total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period in the consolidated statement of comprehensive income for the year ended December 31, 2019, are as follows:

	Financial assets at fair value through profit or loss		Loans receivables at fair value through profit or loss		Derivatives		Total
(In millions of Korean won)							
Profit for the year	₩	7,359	₩	776	₩	542	₩ 8,677
Change in unrealized gain		7,207		977		542	8,726

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(d) Fair Value Hierarchy Classifications of the Financial Instruments that are not Subsequently Measured at Fair Value

Fair value hierarchy classifications of the financial instruments that are subsequently not measured at fair value as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and deposits	₩ 568,513	₩ 3,936,556	₩ -	₩ 4,505,069
Loans and receivables	-	-	88,530,046	88,530,046
Financial assets at amortized cost	100,842	7,874,154	-	7,974,996
	<u>₩ 669,355</u>	<u>₩ 11,810,710</u>	<u>₩ 88,530,046</u>	<u>₩ 101,010,111</u>
Financial liabilities:				
Deposit liabilities	₩ -	₩ 12,069,920	₩ 70,975,219	₩ 83,045,139
Borrowings	1,070,107	1,047,045	4,690,457	6,807,609
Debentures	-	11,401,821	-	11,401,821
Other financial liabilities	-	-	2,954,518	2,954,518
	<u>₩ 1,070,107</u>	<u>₩ 24,518,786</u>	<u>₩ 78,620,194</u>	<u>₩ 104,209,087</u>

(In millions of Korean won)

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and deposits	₩ 648,432	₩ 3,500,066	₩ -	₩ 4,148,498
Loans and receivables	-	-	81,734,746	81,734,746
Financial assets at amortized cost	69,623	7,549,980	-	7,619,603
	<u>₩ 718,055</u>	<u>₩ 11,050,046</u>	<u>₩ 81,734,746</u>	<u>₩ 93,502,847</u>
Financial liabilities:				
Deposit liabilities	₩ -	₩ 9,678,607	₩ 66,956,674	₩ 76,635,281
Borrowings	842,551	288,043	3,897,070	5,027,664
Debentures	-	9,202,098	-	9,202,098
Other financial liabilities	-	-	3,012,711	3,012,711
	<u>₩ 842,551</u>	<u>₩ 19,168,748</u>	<u>₩ 73,866,455</u>	<u>₩ 93,877,754</u>

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The valuation techniques and input variables of Level 2 financial instruments, subsequently not measured at fair value as of December 31, 2020 and 2019, are as follows. The valuation techniques and inputs variables are not disclosed for the items that the carrying amounts are disclosed at fair value as the carrying amounts are considered to be the reasonable approximation of the fair value.

<i>(In millions of Korean won)</i>	Fair value		Valuation techniques	Input variables
	2020	2019		
Financial assets:				
Financial assets at amortized cost				
Debt securities	₩ 7,874,154	₩ 7,549,980	DCF Model	Discount rate
Financial liabilities:				
Deposit liabilities	₩ 12,069,920	₩ 9,678,607	DCF Model	Discount rate
Borrowings	1,047,045	288,043	DCF Model	Discount rate
Debentures	11,401,821	9,202,098	DCF Model	Discount rate

The valuation techniques and input variables of Level 3 financial instruments, subsequently not measured at fair value as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	Fair value		Valuation techniques	Input variables
	2020	2019		
Financial assets:				
Loans and receivables	₩ 88,530,046	₩ 81,734,746	DCF Model	Discount rate, early repayment rate
Financial liabilities:				
Deposit liabilities	₩ 70,975,219	₩ 66,956,674	DCF Model	Discount rate
Borrowings	4,690,457	3,897,070	DCF Model	Discount rate
Other financial liabilities	2,954,518	3,012,711	DCF Model	Discount rate

(e) Transfer of Financial Assets

The Group holds securities sold under repurchase and securities lending arrangements, and such transactions have resulted in transfer of financial assets. However, they have been recorded in the financial statements since the assets did not meet the removal criteria. In case of securities sold under repurchase agreements, the Group sells the assets to another party with a commitment to buy the assets back at a specified price. Loaned securities will be returned at the end of security lending agreement; hence, the Group retains substantially all the risks and rewards of ownership of the financial assets.

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Details of book amounts of transferred assets and relevant liabilities as of December 31, 2020 and 2019, are as follows:

	2020		2019	
	Book amount of transferred assets	Book amount of related liabilities	Book amount of transferred assets	Book amount of related liabilities
Securities sold under repurchase agreement	₩ 1,603,157	₩ (1,623,147)	₩ 1,659,418	₩ (1,312,273)
Loaned securities	561,014	-	643,956	-
	<u>₩ 2,164,171</u>	<u>₩ (1,623,147)</u>	<u>₩ 2,303,374</u>	<u>₩ (1,312,273)</u>

(f) *Offsetting financial instruments:*

Details of financial instruments that are set off and subject to an enforceable master netting arrangement or similar agreement as of December 31, 2020 and 2019, are as follows:

	2020					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities to be set off	Net amounts of financial assets presented in the consolidated statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral received	
Derivatives assets	₩ 79,026	₩ -	₩ 79,026	₩ 425,902	₩ 13,302	₩ 32,621
Receivable spot exchanges	392,799	-	392,799			
Bonds purchased under resale agreement	477,100	-	477,100	477,100	-	-
Domestic exchange uncollected	1,462,891	1,287,929	174,962	-	-	174,962
Securities-related receivable	131,314	10,395	120,919	-	-	120,919
	<u>₩ 2,543,130</u>	<u>₩ 1,298,324</u>	<u>₩ 1,244,806</u>	<u>₩ 903,002</u>	<u>₩ 13,302</u>	<u>₩ 328,502</u>

	2020					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets to be set off	Net amounts of financial liabilities presented in the consolidated statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral received	
Derivatives liabilities	₩ 64,542	₩ -	₩ 64,542	₩ 400,713	₩ -	₩ 31,970
Payable spot exchanges	368,141	-	368,141			
Bonds sold under repurchase agreement	1,623,147	-	1,623,147	1,623,147	-	-
Securities sold	10,222	-	10,222	-	-	10,222
Domestic currency exchange payables	1,411,738	1,287,929	123,809	-	-	123,809
Securities-related payables	116,319	10,395	105,924	-	-	105,924
	<u>₩ 3,594,109</u>	<u>₩ 1,298,324</u>	<u>₩ 2,295,785</u>	<u>₩ 2,023,860</u>	<u>₩ -</u>	<u>₩ 271,925</u>

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		2019					
		Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities to be set off	Net amounts of financial assets presented in the consolidated statement of financial position	Non-offsetting amount		Net amount
					Financial instruments	Cash collateral received	
Derivatives assets	₩	35,960	₩ -	₩ 35,960	₩ 571,263	₩ 179	₩ 65,444
Receivable spot exchanges		600,926	-	600,926			
Bonds purchased under resale agreement		200,500	-	200,500	200,500	-	-
Domestic exchange uncollected		1,968,200	1,594,340	373,860	-	-	373,860
Securities-related receivable		32,877	-	32,877	-	-	32,877
	₩	2,838,463	₩ 1,594,340	₩ 1,244,123	₩ 771,763	₩ 179	₩ 472,181

(In millions of Korean won)

		2019					
		Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets to be set off	Net amounts of financial liabilities presented in the consolidated statement of financial position	Non-offsetting amount		Net amount
					Financial instruments	Cash collateral received	
Derivatives liabilities	₩	42,540	₩ -	₩ 42,540	₩ 585,139	₩ 3,280	₩ 27,831
Payable spot exchanges		573,710	-	573,710			
Bonds sold under repurchase agreement		1,312,273	-	1,312,273	1,312,273	-	-
Securities sold		52,080	-	52,080	-	-	52,080
Domestic currency exchange payables		1,663,252	1,594,341	68,911	-	-	68,911
Securities-related payables		33,813	-	33,813	-	-	33,813
	₩	3,677,668	₩ 1,594,341	₩ 2,083,327	₩ 1,897,412	₩ 3,280	₩ 182,635

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7. CASH AND DUE FROM BANKS:

Cash and due from banks as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>		2020		2019
Cash and cash equivalents:				
Cash	₩	482,578	₩	556,574
Foreign currencies		85,935		91,858
Time deposits and others		147,311		78,920
Other deposits		34,467		124,016
Deposits in foreign currencies		402,499		298,926
		<u>1,152,790</u>		<u>1,150,294</u>
Due from banks ¹ :				
Due from banks in local currency		3,187,823		2,652,672
Due from banks in foreign currencies		164,456		345,533
		<u>3,352,279</u>		<u>2,998,205</u>
	₩	<u>4,505,069</u>	₩	<u>4,148,499</u>

¹ The maturity is more than three months.

Due from banks in local currency and foreign currencies as of December 31, 2020 and 2019, consists of the following:

<i>(In millions of Korean won)</i>	Financial institution		2020		2019
Due from banks in local currency:					
Due from domestic banks	The Bank of Korea ("BOK")	₩	3,026,805	₩	2,554,518
Due from consigned transaction	Korea Exchange (KRX)		58,170		27,508
Others	Woori bank and others		102,848		70,646
			<u>3,187,823</u>		<u>2,652,672</u>
Due from banks in foreign currencies:					
Due from domestic banks	The BOK		103,880		229,960
Offshore due from banks	Bank of China		816		868
Others	The People's Bank of China and others		59,760		114,705
			<u>164,456</u>		<u>345,533</u>
		₩	<u>3,352,279</u>	₩	<u>2,998,205</u>

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Restricted cash and due from banks as of December 31, 2020 and 2019, consist of the following:

<i>(In millions of Korean won)</i>	Financial institution	2020	2019	Reason for restriction
Due from banks in Korean won	The BOK	₩ 3,026,805	₩ 2,554,518	The BOK Act
	The Korea Securities Finance Corporation	5,494	10,836	Deposits from investors and others
	Korea Federation of Savings Banks and others	43,224	34,956	Reserve deposits and others
	Korea Securities Depository and others	2,640	6,811	Deposits to performance guarantees
	KRX and others	62,617	27,560	Collective fund for default losses and others
	Securities Companies	-	72	Derivative deposits, subscription deposits and others
		<u>3,140,780</u>	<u>2,634,753</u>	
Due from banks in foreign currencies	The BOK	103,880	229,960	Reserve deposits
	KRX and others	9,901	1,606	Reserve deposits and others
	The People's Bank of China and others	32,233	112,428	Reserve deposits for overseas affiliates and others
		<u>146,014</u>	<u>343,994</u>	
		<u>₩ 3,286,794</u>	<u>₩ 2,978,747</u>	

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8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:

Financial assets at fair value through profit or loss as of December 31, 2020 and 2019, consist of the following:

<i>(In millions of Korean won)</i>	2020	2019
Equity securities	₩ 266,255	₩ 89,802
Government and public bonds	134,121	159,368
Finance bonds	641,974	275,284
Corporate bonds	1,576,706	1,575,933
Other debt securities	476,052	753,077
Beneficiary certificates	870,984	606,337
Others	617,335	379,423
	<u>₩ 4,583,427</u>	<u>₩ 3,839,224</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME:

Financial assets at fair value through other comprehensive income as of December 31, 2020 and 2019, consist of the following:

<i>(In millions of Korean won)</i>	2020	2019
Equity securities	<u>₩ 170,750</u>	<u>₩ 202,382</u>
Debt securities		
Government and public bonds	1,245,979	957,283
Finance bonds	1,031,233	1,003,117
Corporate bonds	2,350,624	2,470,040
Loans in securities	551,244	634,248
	<u>5,179,080</u>	<u>5,064,688</u>
	<u>₩ 5,349,830</u>	<u>₩ 5,267,070</u>

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Changes in the carrying amounts of debt securities among financial assets at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 5,064,688	₩ -	₩ -	₩ 5,064,688
Changes in financial instruments recognized at the beginning	-	-	-	-
Acquisition	3,722,881	-	-	3,722,881
Repayment/Disposal	(3,601,568)	-	-	(3,601,568)
Gain on valuation of fair value	3,060	-	-	3,060
Amortization of effective interest	(5,710)	-	-	(5,710)
Exchange differences	(4,271)	-	-	(4,271)
Ending balance	₩ 5,179,080	₩ -	₩ -	₩ 5,179,080

(In millions of Korean won)

	2019			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 4,855,353	₩ -	₩ -	₩ 4,855,353
Changes in financial instruments recognized at the beginning	-	-	-	-
Acquisition	3,224,834	-	-	3,224,834
Repayment/Disposal	(3,047,496)	-	-	(3,047,496)
Gain on valuation of fair value	46,620	-	-	46,620
Amortization of effective interest	(16,712)	-	-	(16,712)
Exchange differences	1,268	-	-	1,268
Others	821	-	-	821
Ending balance	₩ 5,064,688	₩ -	₩ -	₩ 5,064,688

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Dividend income recognized from equity securities designated as an item measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, is as follows:

<i>(In millions of Korean won)</i>	2020		2019	
	Derecognized equity securities	Equity securities on hand	Derecognized equity securities	Equity securities on hand
General stocks				
Marketable stocks	₩ -	₩ 1	₩ -	₩ 172
Non-marketable stocks	284	4,391	34	4,531
Equity investments	-	-	-	1
	<u>₩ 284</u>	<u>₩ 4,392</u>	<u>₩ 34</u>	<u>₩ 4,704</u>

Derecognized equity securities at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
	Disposal	Accumulated gain (loss) on valuation at disposal date	Disposal	Accumulated gain (loss) on valuation at disposal date
General stocks				
Marketable stocks	₩ 78	₩ (42)	₩ 1,668	₩ 1,368
Non-marketable stocks	11	3	437	(1,194)
	<u>₩ 89</u>	<u>₩ (39)</u>	<u>₩ 2,105</u>	<u>₩ 174</u>

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10. FINANCIAL ASSETS AT AMORTIZED COST:

Financial assets at amortized cost as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
Debt securities				
Government and public bonds	₩	3,345,337	₩	3,257,684
Finance bonds		655,798		527,797
Corporate bonds		3,868,966		3,740,692
Loans in securities		9,770		9,708
Provision for impairment		(2,524)		(1,120)
	₩	<u>7,877,347</u>	₩	<u>7,534,761</u>

Changes in the carrying amounts of financial assets at amortized cost for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 7,535,881	₩ -	₩ -	₩ 7,535,881
Acquisition	1,814,104	-	-	1,814,104
Repayment/Disposal	(1,479,268)	-	-	(1,479,268)
Amortization of effective interest	13,298	-	-	13,298
Exchange differences	(2,080)	-	-	(2,080)
Others	(2,065)	-	-	(2,065)
Ending balance	<u>₩ 7,879,870</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 7,879,870</u>

<i>(In millions of Korean won)</i>	2019			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 6,799,571	₩ -	₩ -	₩ 6,799,571
Acquisition	1,934,464	-	-	1,934,464
Repayment/Disposal	(1,215,444)	-	-	(1,215,444)
Amortization of effective interest	15,621	-	-	15,621
Exchange differences	2,145	-	-	2,145
Others	(475)	-	-	(475)
Ending balance	<u>₩ 7,535,882</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 7,535,882</u>

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11. ASSETS PROVIDED AS COLLATERAL:

The investments in financial assets provided as collateral as of December 31, 2020 and 2019, consist of the following:

<i>(In millions of Korean won)</i>		Face value		Reason
	Provided to	2020		
Financial assets at fair value through profit or loss	Korea Securities Depository	₩ 983,008		Sold under repurchase agreements
	KB Asset Management Co., Ltd. and others	48,150		Sold under repurchase agreements
	KRX	2,010		Central CounterParty ("CCP")
	Samsung Futures Inc. and others	39,737		Margin for futures and others
	Korea Securities Finance Corp and others	187,420		Lending transaction
Financial assets at fair value through other comprehensive income	Korea Securities Depository	152,891		Sold under repurchase agreements
	Nomura Finance Investment and others	36,382		Sold under repurchase agreements
	Bank of Korea	392,189		Borrowing collateral and overdraft and settlement
	Sumitomo Mitsui Banking Corporation	66,718		Foreign borrowings
	KRX	1,304		Collective funds for OTC derivatives
Financial assets at amortized cost	Korea Securities Depository	382,726		Sold under repurchase agreements
	Bank of Korea	1,468,002		Borrowing collateral and overdraft and settlement
	Korea Securities Depository	83		Collective fund for default losses and others
	KRX	2,008		Collective funds for OTC derivatives and others
	Industrial Bank of Korea and others	86,312		Foreign borrowings, Collateral for Credit Support Annex and others
	Futures Companies	22,452		Margin for futures and others
		₩ 3,871,392		

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<i>(In millions of Korean won)</i>		Face value		Reason
	Provided to		2019	
Financial assets at fair value through profit or loss	Korea Securities	₩	891,612	Sold under repurchase agreements
	Depository			
	KB Asset Management		13,300	Sold under repurchase agreements
	Co., Ltd.			
	KRX		2,019	CCP
	Samsung Futures Inc.		22,733	Margin for futures and others
	Standard Chartered Bank Korea Ltd.		5,760	Collateral for Credit Support Annex
Financial assets at fair value through other comprehensive income	Korea Securities Finance Corp and others		83,949	Lending transaction
	Korea Securities		237,182	Sold under repurchase agreements
	Depository			
	Nomura Finance		34,222	Sold under repurchase agreements
	Investment and others			
	Bank of Korea		431,006	Borrowing collateral and overdraft and settlement
	Sumitomo Mitsui Banking Corporation		60,567	Foreign borrowings
Financial assets at amortized cost	KRX		1,324	Collective funds for OTC derivatives
	Standard Chartered Bank Korea Ltd. and others		25,654	Collateral for Credit Support Annex
	Korea Securities		483,102	Sold under repurchase agreements
	Depository			
	Bank of Korea		1,252,769	Borrowing collateral and overdraft and settlement
	Korea Securities		9,792	Collective fund for default losses and others
	Depository			
	KRX		2,017	Collective funds for OTC derivatives
	Industrial Bank of Korea and others		54,286	Foreign borrowings, Collateral for Credit Support Annex and others
	Futures Companies		45,717	Margin for futures and others
		₩	3,657,011	

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Details of the land and building provided by the Group as collateral for the leasehold deposits as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

(In millions of Korean won)		2020		Maximum amount
		Secured assets	Carrying amount	
Property and equipment	Land	₩	11,405	₩ 670
	Building		10,208	
			21,613	
Investment properties	Land		28,958	
	Building		4,375	
		₩	33,333	

(In millions of Korean won)

(In millions of Korean won)		2019		Maximum amount
		Secured assets	Carrying amount	
Property and equipment	Land	₩	11,405	₩ 710
	Building		10,362	
			21,767	
Investment properties	Land		28,958	
	Building		2,641	
		₩	31,599	

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12. LOANS AND RECEIVABLES:

Loans and receivables as of December 31, 2020 and 2019, consist of the following:

(In millions of Korean won)

	2020			2019		
	Amortized cost	Fair value	Total	Amortized cost	Fair value	Total
Loans receivable:						
Loans in Korean won						
Corporates	₩ 53,263,723	₩ -	₩ 53,263,723	₩ 48,791,205	₩ -	₩ 48,791,205
Household	27,743,937	-	27,743,937	24,748,830	-	24,748,830
Public sector and others	1,666,736	-	1,666,736	1,802,302	-	1,802,302
Interbank loans	147,115	-	147,115	207,933	-	207,933
	<u>82,821,511</u>	<u>-</u>	<u>82,821,511</u>	<u>75,550,270</u>	<u>-</u>	<u>75,550,270</u>
Loans in foreign currencies	1,238,496	-	1,238,496	1,373,207	-	1,373,207
Call loans	328,637	-	328,637	202,445	-	202,445
Bills bought in local currency	1,272	-	1,272	3,459	-	3,459
Bills bought in foreign currencies	160,765	-	160,765	245,168	-	245,168
Advances for customers	2,026	-	2,026	5,977	-	5,977
Credit card receivables	816,775	-	816,775	916,829	-	916,829
Bonds purchased under repurchase agreement	477,100	-	477,100	200,500	-	200,500
Privately placed bonds	169,302	7,349	176,651	55,959	6,755	62,714
Finance lease receivables	657,640	-	657,640	697,059	-	697,059
Installment financing receivables	278,515	-	278,515	382,239	-	382,239
	<u>86,952,039</u>	<u>7,349</u>	<u>86,959,388</u>	<u>79,633,112</u>	<u>6,755</u>	<u>79,639,867</u>
Provision for impairment of loans receivable ¹	(744,454)	-	(744,454)	(817,657)	-	(817,657)
Deferred loan origination fees	(3,684)	-	(3,684)	(7,950)	-	(7,950)
Deferred loan origination costs	148,772	-	148,772	143,943	-	143,943
	<u>86,352,673</u>	<u>7,349</u>	<u>86,360,022</u>	<u>78,951,448</u>	<u>6,755</u>	<u>78,958,203</u>
Receivables:						
Suspense payments	2,645	-	2,645	3,332	-	3,332
Non-trade receivable	544,425	-	544,425	662,100	-	662,100
Domestic exchange settlement debits	174,962	-	174,962	373,860	-	373,860
Guarantee deposits provided	280,071	-	280,071	302,782	-	302,782
Accrued income	349,316	-	349,316	375,469	-	375,469
Deposits under regulation	1,647	-	1,647	871	-	871
Bills unsettled	109	-	109	415	-	415
Other	42	-	42	35	-	35
	<u>1,353,217</u>	<u>-</u>	<u>1,353,217</u>	<u>1,718,864</u>	<u>-</u>	<u>1,718,864</u>
Provision for impairment of receivables	(6,404)	-	(6,404)	(7,104)	-	(7,104)
Discounted present value (leasehold deposits provided)	(6,181)	-	(6,181)	(12,737)	-	(12,737)
	<u>1,340,632</u>	<u>-</u>	<u>1,340,632</u>	<u>1,699,023</u>	<u>-</u>	<u>1,699,023</u>
Loans and receivables	₩ 87,693,305	₩ 7,349	₩ 87,700,654	₩ 80,650,471	₩ 6,755	₩ 80,657,226

¹ Discounted present value of ₩7 million and ₩5,357 million are included as of December 31, 2020, and discounted present value of ₩292 million and ₩8,419 million are included as of December 31, 2019.

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The changes in the carrying amounts of loans and receivables for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Twelve months expected credit losses	Lifetime expected credit losses¹		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 70,808,371	₩ 9,878,477	₩ 788,383	₩ 81,475,231
Transfer to 12 months expected credit losses of financial assets	2,487,503	(2,478,332)	(9,171)	-
Transfer to lifetime expected credit losses	(4,556,878)	4,614,617	(57,739)	-
Transfer to credit-impaired financial assets	(221,090)	(344,153)	565,243	-
Amortization	-	-	(415,910)	(415,910)
Disposal	-	(170)	(374,883)	(375,053)
Exchange differences	(6,495)	-	-	(6,495)
Net increase (decrease)	8,104,889	(450,332)	111,833	7,766,390
Ending balance	₩ 76,616,300	₩ 11,220,107	₩ 607,756	₩ 88,444,163

¹ Includes items that have changed the stage due to credit rating adjustments for borrowers who apply for deferral due to COVID-19.

(In millions of Korean won)

	2019			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 67,108,097	₩ 10,567,721	₩ 936,611	₩ 78,612,429
Transfer to 12 months expected credit losses of financial assets	2,802,312	(2,774,126)	(28,186)	-
Transfer to lifetime expected credit losses	(3,624,322)	3,690,957	(66,635)	-
Transfer to credit-impaired financial assets	(291,404)	(289,562)	580,966	-
Amortization	-	-	(357,673)	(357,673)
Disposal	(214,049)	(188,214)	(565,840)	(968,103)
Exchange differences	3,060	-	-	3,060
Net increase (decrease)	5,025,477	(1,136,476)	296,518	4,185,519
Ending balance	₩ 70,809,171	₩ 9,870,300	₩ 795,761	₩ 81,475,232

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The changes in deferred loan origination fees and costs for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination fees	₩ (7,950)	₩ (296)	₩ 4,562	₩ (3,684)
Deferred loan origination costs	143,943	110,672	(105,843)	148,772
	<u>₩ 135,993</u>	<u>₩ 110,376</u>	<u>₩ (101,281)</u>	<u>₩ 145,088</u>

(In millions of Korean won)

	2019			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination fees	₩ (10,368)	₩ (3,891)	₩ 6,309	₩ (7,950)
Deferred loan origination costs	148,750	94,883	(99,690)	143,943
	<u>₩ 138,382</u>	<u>₩ 90,992</u>	<u>₩ (93,381)</u>	<u>₩ 135,993</u>

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13. PROVISION FOR IMPAIRMENT:

Changes in provision for impairment of loans and receivables for years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 233,330	₩ 245,025	₩ 346,406	₩ 824,761
Transfer to 12 months expected credit losses of financial assets	34,036	(32,521)	(1,515)	-
Transfer to lifetime expected credit losses	(28,248)	50,043	(21,795)	-
Transfer to credit-impaired financial assets	(40,461)	(74,285)	114,746	-
Written off during the year as uncollectible	-	-	(415,910)	(415,910)
Decrease in provision due to sales of loans	-	(63)	(120,468)	(120,531)
Financial assets issued or acquired	-	-	(211)	(211)
Changes from adjustments to receivables and payables	-	-	(19,122)	(19,122)
Exchange differences	(475)	(180)	(12)	(667)
Other	3,042	-	(4,985)	(1,943)
	<u>201,224</u>	<u>188,019</u>	<u>(122,866)</u>	<u>266,377</u>
Additional provision for impaired receivables during the year ¹	53,967	103,453	327,061	484,481
Ending balance	₩ 255,191	₩ 291,472	₩ 204,195	₩ 750,858

¹ Included collection of written-off loans amounting to ₩47,589 million.

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(In millions of Korean won)

	2019			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 231,119	₩ 282,526	₩ 472,256	₩ 985,901
Transfer to 12 months expected credit losses of financial assets	36,315	(32,572)	(3,743)	-
Transfer to lifetime expected credit losses	(22,903)	64,865	(41,962)	-
Transfer to credit-impaired financial assets	(14,885)	(80,949)	95,834	-
Written off during the year as uncollectible	-	-	(357,673)	(357,673)
Decrease in provision due to sales of loans	(22,661)	(63,275)	(177,152)	(263,088)
Changes from adjustments to receivables and payables	-	-	(221)	(221)
Exchange differences	(83)	86	12	15
Other	(45)	-	(12,688)	(12,733)
	<u>206,857</u>	<u>170,681</u>	<u>(25,337)</u>	<u>352,201</u>
Additional provision for impaired receivables during the year ¹	26,473	74,344	371,743	472,560
Ending balance	<u>₩ 233,330</u>	<u>₩ 245,025</u>	<u>₩ 346,406</u>	<u>₩ 824,761</u>

¹ Included collection of written-off loans amounting to ₩50,845 million.

The percentage of provision for impairment of loans and receivables as of December 31, 2020 and 2019, is as follows:

(In millions of Korean won)	2020	2019
Loans and receivables	₩ 88,444,163	₩ 81,475,232
Provision for impairment	<u>750,858</u>	<u>824,761</u>
Percentage of provision for impairment (%)	<u>0.85%</u>	<u>1.01%</u>

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Changes in provision for impairment for financial assets at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020					
	Twelve months expected credit losses		Lifetime expected credit losses		Total	
			Unrecognized impairment	Recognized impairment		
Beginning balance	₩	1,115	₩	-	₩	1,115
Decrease in provision from sales		(540)		-		(540)
Contribution to provision for impairment		1,265		-		1,265
Ending balance	₩	1,840	₩	-	₩	1,840

(In millions of Korean won)

	2019					
	Twelve months expected credit losses		Lifetime expected credit losses		Total	
			Unrecognized impairment	Recognized impairment		
Beginning balance	₩	689	₩	-	₩	689
Decrease in provision from sales		(186)		-		(186)
Contribution to provision for impairment		612		-		612
Ending balance	₩	1,115	₩	-	₩	1,115

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Changes in provision for impairment for securities at amortized cost for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 1,120	₩ -	₩ -	₩ 1,120
Contribution to provision for impairment	1,404	-	-	1,404
Ending balance	₩ 2,524	₩ -	₩ -	₩ 2,524

(In millions of Korean won)

	2019			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 803	₩ -	₩ -	₩ 803
Contribution to provision for impairment	317	-	-	317
Ending balance	₩ 1,120	₩ -	₩ -	₩ 1,120

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14. FINANCIAL LEASE RECEIVABLES:

Financial lease receivables as of December 31, 2020 and 2019, consist of the following:

<i>(In millions of Korean won)</i>	2020		2019	
Lease receivables	₩	657,618	₩	697,054
Provision for impairment		(6,661)		(9,679)
Deferred origination fees		(719)		(824)
Deferred origination costs		944		1,441
	₩	<u>651,182</u>	₩	<u>687,992</u>

The total investment of finance leases and present value of minimum lease payments as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
	Total investment of finance leases	Present value of minimum lease payments	Total investment of finance leases	Present value of minimum lease payments
One year or less	₩ 299,556	₩ 281,729	₩ 306,865	₩ 288,387
1 year-5 years	396,005	370,127	438,476	408,667
Over 5 years	6,165	5,762	-	-
	₩ <u>701,726</u>	₩ <u>657,618</u>	₩ <u>745,341</u>	₩ <u>697,054</u>

The difference between net investment in finance leases and total investment as of December 31, 2020 and 2019, is as follows:

<i>(In millions of Korean won)</i>	2020		2019	
Total investment of leases	₩	701,726	₩	745,341
Net investment in finance leases				
Present value of minimum lease payments		657,618		697,054
Unrealized interest	₩	<u>44,108</u>	₩	<u>48,287</u>

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15. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING:

The notional amounts outstanding for derivative contracts as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			2019		
	Trading	Hedging	Total	Trading	Hedging	Total
Currency:						
Currency forwards ¹	₩ 1,744,571	₩ -	₩ 1,744,571	₩ 3,033,743	₩ -	₩ 3,033,743
Long currency swaps	140,248	-	140,248	30,299	131,596	161,895
Short currency swaps	12,339	-	12,339	167,740	-	167,740
Long currency futures ²	228,382	-	228,382	371,654	-	371,654
Long currency options	920,747	-	920,747	1,448,627	-	1,448,627
Short currency options	920,747	-	920,747	1,448,627	-	1,448,627
	<u>3,967,034</u>	<u>-</u>	<u>3,967,034</u>	<u>6,500,690</u>	<u>131,596</u>	<u>6,632,286</u>
Interest rate:						
Long interest rate swaps ¹	352,270	342,000	694,270	403,835	529,450	933,285
Short interest rate swaps ¹	509,900	-	509,900	559,217	-	559,217
Short interest rate futures	15,170	-	15,170	15,114	-	15,114
	<u>877,340</u>	<u>342,000</u>	<u>1,219,340</u>	<u>978,166</u>	<u>529,450</u>	<u>1,507,616</u>
	<u>₩ 4,844,374</u>	<u>₩ 342,000</u>	<u>₩ 5,186,374</u>	<u>₩ 7,478,856</u>	<u>₩ 661,046</u>	<u>₩ 8,139,902</u>

¹ For transactions between local currency and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate on the contract amount in foreign currencies. For transactions between foreign currencies and foreign currencies, unsettled amount is presented using the basic foreign exchange rate on the contract amount in foreign currencies purchased.

² Daily settlement of futures transactions is reflected in due from banks.

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The valuation of derivatives for trading as of December 31, 2020 and 2019, is as follows:

(In millions of Korean won)

	2020			
	Valuation gain	Valuation loss	Assets	Liabilities
Currency:				
Currency forwards	₩ 51,572	₩ 57,239	₩ 45,753	₩ 52,137
Currency swaps	6,884	40	4,003	750
Currency options	5,998	4,918	10,027	10,109
	<u>64,454</u>	<u>62,197</u>	<u>59,783</u>	<u>62,996</u>
Interest rate:				
Interest rate forwards	-	12	-	-
Interest rate swaps	558	110	6,129	542
	<u>558</u>	<u>122</u>	<u>6,129</u>	<u>542</u>
	<u>₩ 65,012</u>	<u>₩ 62,319</u>	<u>₩ 65,912</u>	<u>₩ 63,538</u>

(In millions of Korean won)

	2019			
	Valuation gain	Valuation loss	Assets	Liabilities
Currency:				
Currency forwards	₩ 27,799	₩ 29,056	₩ 23,524	₩ 26,702
Currency swaps	1,173	1,050	651	656
Currency options	2,486	1,375	4,192	4,253
	<u>31,458</u>	<u>31,481</u>	<u>28,367</u>	<u>31,611</u>
Interest rate:				
Interest rate forwards	70	23	-	-
Interest rate swaps	3,399	275	5,716	487
	<u>3,469</u>	<u>298</u>	<u>5,716</u>	<u>487</u>
Stock:				
Stock options	1	2	12	4
	<u>1</u>	<u>2</u>	<u>12</u>	<u>4</u>
	<u>₩ 34,928</u>	<u>₩ 31,781</u>	<u>₩ 34,095</u>	<u>₩ 32,102</u>

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Hedge

In order to hedge fluctuation risks of fair value due to changes in interest rate and foreign currency of structured deposits and issued financial bonds, a hedge accounting of fair value risk is applied that interest rate swaps and currency swaps are designated as a hedging instrument. In order to hedge currency fluctuation risks of net investments in foreign operations, a hedge accounting of net investments in foreign operations is applied that non-derivative financial instruments are designated as a hedging instrument.

The valuation of derivatives designated as a hedging instrument as of December 31, 2020 and 2019, is as follows:

(In millions of Korean won)

		2020			
		Valuation gain	Valuation loss	Assets	Liabilities
Interest rate:					
Interest rate swaps	₩	18,149	₩ 1,222	₩ 13,114	₩ 1,004
	₩	18,149	₩ 1,222	₩ 13,114	₩ 1,004

(In millions of Korean won)

		2019			
		Valuation gain	Valuation loss	Assets	Liabilities
Interest rate:					
Interest rate swaps	₩	20,883	₩ 313	₩ 855	₩ 5,795
Currency rate:					
Currency rate swaps		667	1,465	1,010	4,643
	₩	21,550	₩ 1,778	₩ 1,865	₩ 10,438

Gain (loss) on valuation of hedged items and hedging instrument for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Gain on valuation of hedging instrument	₩ 16,927	₩ 19,772
Loss on valuation of hedged items	(16,905)	(20,409)
	₩ 22	₩ (637)

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Amount, timing and uncertainty of future cash flows for the years ended December 31, 2020 and 2019, are as follows:

	2020													
(In millions of Korean won)	Less than 1 year		Between 1 year - 2 years		Between 2 - 3 years		Between 3 - 4 years		Between 4 - 5 year		More than 5 years		Total	
Fair value risk hedges														
Nominal amount of risk hedge instrument	₩	-	₩	-	₩	-	₩	-	₩	-	₩	342,000	₩	342,000
Average hedge ratio (%)		-		-		-		-		-		100%		100%
Risk hedges for net investments in foreign operation														
Nominal amount of risk hedge instrument	₩	4,896	₩	54,400	₩	-	₩	84,320	₩	-	₩	-	₩	143,616
Average hedge ratio (%)		100%		100%		-		100%		-		-		100%
	2019													
(In millions of Korean won)	Less than 1 year		Between 1 year - 2 years		Between 2 - 3 years		Between 3 - 4 years		Between 4 - 5 year		More than 5 years		Total	
Fair value risk hedges														
Nominal amount of risk hedge instrument	₩	-	₩	86,998	₩	44,598	₩	-	₩	-	₩	529,450	₩	661,046
Average hedge ratio (%)		-		100%		100%		-		-		100%		100%
Risk hedges for net investments in foreign operation														
Nominal amount of risk hedge instrument	₩	103,623	₩	-	₩	-	₩	-	₩	-	₩	-	₩	103,623
Average hedge ratio (%)		100%		-		-		-		-		-		100%

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Impacts of hedge accountings on the statements of financial position, the statements of comprehensive income and the statements of changes in equity

Impacts of risk hedge instruments on the statements of financial position, the statements of comprehensive income and the statements of changes in equity as of December 31, 2020 and 2019, are as follows:

2020											
(In millions of Korean won)	Statements of financial position						Statements of comprehensive income and statements of changes in equity				
	Nominal amount	Changes in fair value	Derivative assets		Derivative liabilities		Borrowings	Profit or loss	Other comprehensive income ¹		
Fair value risk hedges											
Interest rate risk hedge	₩ 342,000	₩ 16,927	₩ 13,114	₩ 1,004	₩ -	₩ 16,927	₩ -				
Hedges for net investments in foreign operations											
Currency risk hedge	143,616	11,517	-	-	143,616	-	8,557				
	₩ 485,616	₩ 28,444	₩ 13,114	₩ 1,004	₩ 143,616	₩ 16,927	₩ 8,557				

¹ The amount recognized in other comprehensive incomes is after tax, taking into account the effect of corporate tax.

2019											
(In millions of Korean won)	Statements of financial position						Statements of comprehensive income and statements of changes in equity				
	Nominal amount	Changes in fair value	Derivative assets		Derivative liabilities		Borrowings	Profit or loss	Other comprehensive income ¹		
Fair value risk hedges											
Currency risk hedge	₩ 131,596	₩ (798)	₩ 1,010	₩ 4,643	₩ -	₩ (798)	₩ -				
Interest rate risk hedge	529,450	20,570	855	5,795	-	20,570	-				
Hedges for net investments in foreign operations											
Currency risk hedge	103,623	(3,446)	-	-	103,623	-	(2,560)				
	₩ 764,669	₩ 16,326	₩ 1,865	₩ 10,438	₩ 103,623	₩ 19,772	₩ (2,560)				

¹ The amount recognized in other comprehensive income is after tax, taking into account the effect of corporate tax.

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Impacts of the hedged items on the statements of financial position, the statements of comprehensive income and the statements of changes in equity as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020							
	Statements of financial position				Statements of comprehensive income and statements of changes in equity			Reserve for foreign currency translation
	Nominal amount	Changes in fair value	Deposits received	Debentures	Profit or loss	Other comprehensive income ¹		
Fair value risk hedges								
Interest rate risk hedge	₩ 342,000	₩ (16,905)	₩ 69,139	₩ 284,971	₩ (16,905)	₩ -	₩ -	-
Hedges for net investments in foreign operations								
Currency risk hedge	143,616	(12,497)	-	-	-	(9,285)		6,572
	₩ 485,616	₩ (29,402)	₩ 69,139	₩ 284,971	₩ (16,905)	₩ (9,285)	₩	6,572

¹ The amount recognized in other comprehensive incomes is after tax, taking into account the effect of corporate tax.

(In millions of Korean won)	2019							
	Statements of financial position				Statements of comprehensive income and statements of changes in equity			Reserve for foreign currency translation
	Nominal amount	Changes in fair value	Deposits received	Bonds	Profit or loss	Other comprehensive income ¹		
Fair value risk hedges								
Currency risk hedge	₩ 131,596	₩ 793	₩ -	₩ 127,925	₩ 793	₩ -	₩ -	-
Interest rate risk hedge	529,450	(21,202)	239,565	283,986	(21,202)	-		-
Hedges for net investments in foreign operations								
Currency risk hedge	103,623	3,489	-	-	-	2,580		(1,985)
	₩ 764,669	₩ (16,920)	₩ 239,565	₩ 411,911	₩ (20,409)	₩ 2,580	₩	(1,985)

¹ The amount recognized in other comprehensive incomes is after tax, taking into account the effect of corporate tax.

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The amounts and items recognized as profit or loss due to ineffective portion in fair value risk hedges for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	Ineffective portion of risk hedges recognized as profit or loss				Items
	2020		2019		
Fair value risk hedges					
Interest rate risk hedge	₩	22	₩	(632)	Gain (loss) on valuation of derivatives
Currency risk hedge		-		(5)	Loss on valuation of derivatives

There is no amount recognized in profit or loss and other comprehensive income as an ineffective portion of cash flow hedges and hedges for net investments in foreign operations for the years ended December 31, 2020 and 2019.

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16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE:

Details of investments in associates and joint venture as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

(In millions of Korean won)	2020							
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount		
Investments in associates:								
BNK Winning Securities Investment Trust 1	Financial investment	The Republic of Korea	December	-	₩	-	₩	-
HDC Presto Private Securities Investment Trust 8th	Financial investment	The Republic of Korea	December	-		-		-
Orion Mezzanine Multi-strategy Professional Private Fund	Financial investment	The Republic of Korea	December	38.16		5,000		5,783
ANDA Mezzanine Professional Security Investment Trust No. 7	Financial investment	The Republic of Korea	December	32.98		9,288		11,496
BNK Yeoido Core Office Professional Private Real Estate Investment Type No. 2	Financial investment	The Republic of Korea	December	-		-		-
BNK Ocean Business	Financial investment	The Republic of Korea	December	34.19		2,650		2,577
BSK No. 9 Youth Startup Investment Association	Financial investment	The Republic of Korea	December	29.94		4,000		3,895
BNK Inter-Value Technology Finance Investment Association No. 1	Financial investment	The Republic of Korea	December	34.32		2,540		2,527
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st	Financial investment	The Republic of Korea	December	27.23		30,000		30,269
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 6th	Financial investment	The Republic of Korea	December	-		-		-
NH-Amundi Enhanced Bond Private Securities Investment Trust	Financial investment	The Republic of Korea	December	23.49		30,000		31,410
Hana UBS Professional Investment Private Security Investment Trust No. 7 (Bond)	Financial investment	The Republic of Korea	December	30.00		30,000		30,791
KB Leaders Professional Investment Private Security Investment Trust No. 12	Financial investment	The Republic of Korea	December	30.00		30,000		30,817
KB Leaders Professional Investment Private Security Investment Trust No. 15	Financial investment	The Republic of Korea	December	20.00		30,000		30,362
DGB Professional Investment Private Security Investment Trust No. 28	Financial investment	The Republic of Korea	December	37.50		30,000		30,441
KIAMCO KDB Ocean Value-up Professional Private Special Asset Fund No. 12	Financial investment	The Republic of Korea	December	50.00		6,023		5,185
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15	Financial investment	The Republic of Korea	December	50.00		16,642		14,322
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	Financial investment	The Republic of Korea	December	46.15		5,547		5,622
IBK Private Securities Investment Trust S2	Financial investment	The Republic of Korea	December	-		-		-
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 13	Financial investment	The Republic of Korea	December	-		-		-

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(In millions of Korean won)	2020					
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
Samsung Repo Professional Investment Private Security Investment Trust No. 1	Financial investment	The Republic of Korea	December	-	-	-
Mirae Asset Triumph Professional Investment Private Security Investment Trust No. 4 (Bond/Derivatives)	Financial investment	The Republic of Korea	December	49.41	30,000	30,566
Samsung Rafael Professional Investment Private Security Investment Trust No. 1 (Bond/Derivatives)	Financial investment	The Republic of Korea	December	50.00	50,000	51,452
Samsung Rafael Professional Investment Private Security Investment Trust No. 3 (Bond/Derivatives)	Financial investment	The Republic of Korea	December	50.00	50,000	50,197
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	Financial investment	The Republic of Korea	December	50.00	50,000	51,122
Yuri Repo Alpha Private Securities Investment Trust 1st	Financial investment	The Republic of Korea	December	-	-	-
Aegis Real Asset Solar Professional Investment Private Asset Fund No. 1	Financial investment	The Republic of Korea	December	25.00	8,295	8,293
Consus_Clean Water_Private Special Asset Fund-1	Financial investment	The Republic of Korea	December	50.00	10,743	10,877
Kiwoom Frontier Private Securities Investment Trust 11th	Financial investment	The Republic of Korea	December	50.00	50,000	50,853
Kiwoom Frontier Private Securities Investment Trust 12th	Financial investment	The Republic of Korea	December	26.00	39,194	39,566
Petra 7 alpha Private Equity Partnership	Financial investment	The Republic of Korea	December	21.79	10,938	10,579
Hana UBS Professional Investment Private Security Investment Trust No. 6	Financial investment	The Republic of Korea	December	49.18	30,000	30,933
Heungkuk Discretionary Investment Specialized Private Equity Type 2	Financial investment	The Republic of Korea	December	22.15	40,000	40,214
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	Financial investment	The Republic of Korea	December	20.00	10,945	11,164
BNK Smart Korea Private investment Trust	Financial investment	The Republic of Korea	December	-	-	-
BNK GO Professional Private Investment No. 1 C-S	Financial investment	The Republic of Korea	December	-	-	-
VI Holding Company Plus Securities Fund No. 1	Financial investment	The Republic of Korea	December	20.05	3,000	3,133
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 8th	Financial investment	The Republic of Korea	December	50.00	30,000	30,122
UQIP Future Generation Investment Fund Partnership No. 1	Financial investment	The Republic of Korea	December	5.00	100	499
UQIP Energy Fusion Investment Fund Partnership	Financial investment	The Republic of Korea	December	3.00	1,500	1,158
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 1	Fund Partnership	The Republic of Korea	December	15.00	525	219
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	Fund Partnership	The Republic of Korea	December	7.14	1,000	965

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2020						
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
2019 UQIP Innovative Growth Follow-on Fund Partnership	Fund Partnership	The Republic of Korea	December	15.63	3,000	2,952
BNK Fisheries Investment Association No. 1	Fund Partnership	The Republic of Korea	December	10.00	700	685
BNK Winning Target Convertible Securities Investment Trust No. 1	Fund Partnership	The Republic of Korea	December	31.42	200	211
KC Co., Ltd.	Fund Partnership	The Republic of Korea	December	41.69	-	-
Investments in joint venture:						
M-park Capital Co., Ltd. ¹	Specialized credit financial business	The Republic of Korea	December	30.00	6,000	3,175
					₩ 657,830	₩ 664,432

(In millions of Korean won)

2019						
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
Investments in associates:						
BNK Winning Securities Investment Trust 1	Financial investment	The Republic of Korea	December	29.49	₩ 9,362	₩ 9,355
HDC Presto Private Securities Investment Trust 8th	Financial investment	The Republic of Korea	December	40.00	40,000	40,759
Orion Mezzanine Multi-strategy Professional Private Fund	Financial investment	The Republic of Korea	December	38.16	5,000	4,996
ANDA Mezzanine Professional Security Investment Trust No. 7	Financial investment	The Republic of Korea	December	27.03	14,000	14,054
BNK Yeoido Core Office Professional Private Real Estate Investment Type No. 2	Financial investment	The Republic of Korea	December	25.00	30,000	29,993
BNK Ocean Business	Financial investment	The Republic of Korea	December	-	-	-
BSK No. 9 Youth Startup Investment Association	Financial investment	The Republic of Korea	December	-	-	-
BNK Inter-Value Technology Finance Investment Association No. 1	Financial investment	The Republic of Korea	December	-	-	-
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st	Financial investment	The Republic of Korea	December	27.18	30,000	30,128
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 6th	Financial investment	The Republic of Korea	December	30.00	30,000	30,092
NH-Amundi Enhanced Bond Private Securities Investment Trust	Financial investment	The Republic of Korea	December	23.08	30,000	30,588
Hana UBS Professional Investment Private Security Investment Trust No. 7 (Bond)	Financial investment	The Republic of Korea	December	-	-	-
KB Leaders Professional Investment Private Security Investment Trust No. 12	Financial investment	The Republic of Korea	December	-	-	-
KB Leaders Professional Investment Private Security Investment Trust No. 15	Financial investment	The Republic of Korea	December	-	-	-

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(In millions of Korean won)

(In millions of Korean won)	2019					
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
DGB Professional Investment Private Security Investment Trust No. 28	Financial investment	The Republic of Korea	December	-	-	-
KIAMCO KDB Ocean Value-up Professional Private Special Asset Fund No. 12	Financial investment	The Republic of Korea	December	49.99	6,300	6,193
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15	Financial investment	The Republic of Korea	December	50.00	16,269	16,760
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	Financial investment	The Republic of Korea	December	46.17	1,352	1,364
IBK Private Securities Investment Trust S2	Financial investment	The Republic of Korea	December	23.08	30,000	30,511
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 13	Financial investment	The Republic of Korea	December	53.37	17,056	16,898
Samsung Repo Professional Investment Private Security Investment Trust No. 1	Financial investment	The Republic of Korea	December	50.00	50,000	50,321
Mirae Asset Triumph Professional Investment Private Security Investment Trust No. 4 (Bond/Derivatives)	Financial investment	The Republic of Korea	December	-	-	-
Samsung Rafael Professional Investment Private Security Investment Trust No. 1 (Bond/Derivatives)	Financial investment	The Republic of Korea	December	-	-	-
Samsung Rafael Professional Investment Private Security Investment Trust No. 3 (Bond/Derivatives)	Financial investment	The Republic of Korea	December	-	-	-
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	Financial investment	The Republic of Korea	December	50.00	50,000	51,071
Yuri Repo Alpha Private Securities Investment Trust 1st	Financial investment	The Republic of Korea	December	44.86	40,000	40,853
Aegis Real Asset Solar Professional Investment Private Asset Fund No. 1	Financial investment	The Republic of Korea	December	25.00	2,142	2,142
Consus_Clean Water_Private Special Asset Fund-1	Financial investment	The Republic of Korea	December	50.00	11,551	11,695
Kiwoom Frontier Private Securities Investment Trust 11th	Financial investment	The Republic of Korea	December	50.00	50,000	51,380
Kiwoom Frontier Private Securities Investment Trust 12th	Financial investment	The Republic of Korea	December	49.58	50,000	50,627
Petra 7 alpha Private Equity Partnership	Financial investment	The Republic of Korea	December	21.79	10,938	10,661
Hana UBS Professional Investment Private Security Investment Trust No. 6	Financial investment	The Republic of Korea	December	-	-	-
Heungkuk Discretionary Investment Specialized Private Equity Type 2	Financial investment	The Republic of Korea	December	-	-	-
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	Financial investment	The Republic of Korea	December	20.00	10,688	10,575
BNK Smart Korea Private investment Trust	Financial investment	The Republic of Korea	December	28.57	2,000	2,224

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	Main business	Location	Closing month	2019		
				Percentage of ownership (%)	Acquisition cost	Carrying amount
BNK GO Professional Private Investment No.1 C-S	Financial investment	The Republic of Korea	December	22.40	1,534	1,367
VI Holding Company Plus Securities Fund No. 1	Financial investment	The Republic of Korea	December	-	-	-
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 8th	Financial investment	The Republic of Korea	December	-	-	-
UQIP Future Generation Investment Fund Partnership No. 1	Financial investment	The Republic of Korea	December	5.00	687	672
UQIP Energy Fusion Investment Fund Partnership	Financial investment	The Republic of Korea	December	3.00	932	1,189
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 1	Fund Partnership	The Republic of Korea	December	15.00	83	308
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	Fund Partnership	The Republic of Korea	December	6.67	633	595
2019 UQIP Innovative Growth Follow-on Fund Partnership	Fund Partnership	The Republic of Korea	December	15.63	876	851
BNK Fisheries Investment Association No. 1	Fund Partnership	The Republic of Korea	December	-	-	-
BNK Winning Target Convertible Securities Investment Trust No. 1	Fund Partnership	The Republic of Korea	December	-	-	-
KC Co., Ltd.	Fund Partnership	The Republic of Korea	December	-	-	-
Investments in joint venture:						
M-park Capital Co., Ltd. ¹	Specialized credit financial business	The Republic of Korea	December	30.00	6,000	2,886
					<u>₩ 547,403</u>	<u>₩ 551,108</u>

¹ All of the joint arrangements, which the Group holds joint control of that arrangements, were structured through other entities. However, there are no contractual terms and/or conditions stating that the parties have rights to the assets and obligations for the liabilities relating to the arrangements. Since the parties having joint control of the arrangements believe that they have rights to the net assets of the joint arrangements, such parties are classified as joint ventures. Additionally, the net assets of the joint venture are incorporated in the Group's financial statements using the equity method of accounting.

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Changes in investments in associates and joint venture for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020					
	Beginning balance	Acquisition/ disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
Investments in associates:						
BNK Winning Securities Investment Trust 1	₩ 9,355	₩ (9,355)	₩ -	₩ -	₩ -	₩ -
HDC Presto Private Securities Investment Trust 8th	40,759	(40,759)	-	-	-	-
Orion Mezzanine Multi- strategy Professional Private Fund	4,996	-	787	-	-	5,783
ANDA Mezzanine Professional Security Investment Trust No. 7	14,054	(4,950)	3,503	(1,111)	-	11,496
BNK Yeoido Core Office Professional Private Real Estate Investment Type No. 2	29,993	(29,993)	-	-	-	-
BNK Ocean Business	-	2,650	(73)	-	-	2,577
BSK No. 9 Youth Startup Investment Association	-	4,000	(105)	-	-	3,895
BNK Inter-Value Technology Finance Investment Association No. 1	-	2,540	(13)	-	-	2,527
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st	30,128	-	832	(691)	-	30,269
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 6th	30,092	(30,090)	-	-	(2)	-
NH-Amundi Enhanced Bond Private Securities Investment Trust	30,588	-	822	-	-	31,410
Hana UBS Professional Investment Private Security Investment Trust No. 7 (Bond)	-	30,000	791	-	-	30,791
KB Leaders Professional Investment Private Security Investment Trust No. 12	-	30,000	817	-	-	30,817
KB Leaders Professional Investment Private Security Investment Trust No. 15	-	30,000	362	-	-	30,362
DGB Professional Investment Private Security Investment Trust No. 28	-	30,000	441	-	-	30,441

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	2020					
	Beginning balance	Acquisition/disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
KIAMCO KDB Ocean Value-up Professional Private Special Asset Fund No. 12	6,193	(681)	235	(246)	(316)	5,185
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15	16,760	(1,531)	740	(728)	(919)	14,322
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	1,364	4,170	153	(65)	-	5,622
IBK Private Securities Investment Trust S2	30,511	(30,932)	-	-	421	-
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 13	16,898	(17,657)	-	-	759	-
Samsung Repo Professional Investment Private Security Investment Trust No. 1	50,321	(51,145)	-	-	824	-
Mirae Asset Triumph Professional Investment Private Security Investment Trust No. 4 (Bond/Derivatives)	-	30,000	566	-	-	30,566
Samsung Rafael Professional Investment Private Security Investment Trust No. 1 (Bond/Derivatives)	-	50,000	1,452	-	-	51,452
Samsung Rafael Professional Investment Private Security Investment Trust No. 3 (Bond/Derivatives)	-	50,000	197	-	-	50,197
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	51,071	-	1,616	(1,565)	-	51,122
Yuri Repo Alpha Private Securities Investment Trust 1st	40,853	(41,308)	661	(206)	-	-
Aegis Real Asset Solar Professional Investment Private Asset Fund No. 1	2,142	6,153	209	(211)	-	8,293
Consus Clean Water Private Special Asset Fund-1	11,695	(808)	511	(521)	-	10,877
Kiwoom Frontier Private Securities Investment Trust 11th	51,380	-	1,509	(2,036)	-	50,853
Kiwoom Frontier Private Securities Investment Trust 12th	50,627	(10,806)	1,306	(1,561)	-	39,566

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	2020					
	Beginning balance	Acquisition/ disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
Petra 7 alpha Private Equity Partnership	10,661	-	(82)	-	-	10,579
Hana UBS Professional Investment Private Security Investment Trust No. 6	-	30,000	933	-	-	30,933
Heungkuk Discretionary Investment Specialized Private Equity Type 2	-	40,000	214	-	-	40,214
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	10,575	258	985	(654)	-	11,164
BNK Smart Korea Private investment Trust	2,224	(2,224)	-	-	-	-
BNK GO Professional Private Investment No. 1 C-S	1,367	(1,367)	-	-	-	-
BNK Teun Mid to Long- term Securities Investment Trust 1	-	112	(112)	-	-	-
VI Holding Company Plus Securities Fund No. 1	-	3,000	133	-	-	3,133
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 8th	-	30,000	122	-	-	30,122
UQIP Future Generation Investment Fund Partnership No. 1	672	(362)	274	-	(85)	499
UQIP Energy Fusion Investment Fund Partnership	1,189	-	(12)	-	(19)	1,158
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 1	308	-	(89)	-	-	219
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	595	300	49	-	21	965
2019 UQIP Innovative Growth Follow-on Fund Partnership	851	2,100	1	-	-	2,952
BNK Fisheries Investment Association No. 1	-	700	(15)	-	-	685
BNK Winning Target Convertible Securities Investment Trust No. 1	-	212	(1)	-	-	211
KC Co., Ltd.	-	-	-	-	-	-
Investments in joint venture:						
M-park Capital Co., Ltd.	2,886	-	289	-	-	3,175
	<u>₩ 551,108</u>	<u>₩ 102,227</u>	<u>₩ 20,008</u>	<u>₩ (9,595)</u>	<u>₩ 684</u>	<u>₩ 664,432</u>

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	2019					
	Beginning balance	Acquisition/ disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
Investments in associates:						
BNK Winning Securities Investment Trust 1	₩ 9,870	₩ (2,000)	₩ 1,325	₩ -	₩ 160	₩ 9,355
BNK Teun Mid to Long- term Securities Investment Trust 1 (Bond) Class C-i	10,229	(10,513)	284	-	-	-
Orion Mezzanine Multi- strategy Professional Private Fund	-	5,000	(4)	-	-	4,996
ANDA Mezzanine Professional Security Investment Trust No. 7	-	14,000	54	-	-	14,054
BNK Yeoido Core Office Professional Private Real Estate Investment Type No. 2	-	30,000	(7)	-	-	29,993
HDC Presto Private Securities Investment Trust 8th	30,784	9,216	759	-	-	40,759
IBK Private Securities Investment Trust S2	-	30,000	511	-	-	30,511
NH-Amundi Enhanced Bond Private Securities Investment Trust	-	30,000	588	-	-	30,588
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st	30,278	-	922	(1,072)	-	30,128
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 6th	-	30,000	92	-	-	30,092
Samsung Repo Professional Investment Private Security Investment Trust No. 1	50,838	-	1,292	(1,809)	-	50,321
Shinhan BNPP Private Securities Investment Trust for Corporates 1-2	-	1,352	21	(9)	-	1,364
KIAMCO KDB Ocean Value-up Professional Private Special Asset Fund No. 12	-	6,300	256	(363)	-	6,193
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 13	-	17,056	30	(188)	-	16,898
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15	-	16,269	921	(430)	-	16,760

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	2019					
	Beginning balance	Acquisition/disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
Shinhan BNPP Specialized Private Equity Investment Trust No. 6 for Specialized Investment SG rail	30,807	(30,807)	-	-	-	-
IBK Private Securities Investment Trust S2	30,581	(30,581)	-	-	-	-
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 3rd	30,120	(30,120)	-	-	-	-
Hanwha Specialized Investment Private Equity No. 104	30,050	(30,050)	-	-	-	-
Consus_Clean Water_Private Special Asset Fund-1	13,274	(1,863)	856	(572)	-	11,695
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	51,231	-	1,249	(1,409)	-	51,071
Yuri Repo Alpha Private Securities Investment Trust 1st	40,705	-	984	(836)	-	40,853
Kiwoom Frontier Private Securities Investment Trust 11th	51,028	-	1,351	(999)	-	51,380
Kiwoom Frontier Private Securities Investment Trust 12th	50,213	-	1,621	(1,207)	-	50,627
Petra 7 alpha Private Equity Partnership	-	10,938	(277)	-	-	10,661
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	-	10,688	189	(302)	-	10,575
BNK Public Stock Plus 10	2,008	(2,008)	-	-	-	-
BNK Smart Korea Private investment Trust	-	2,000	224	-	-	2,224
BNK GO Professional Private Investment No. 1 C-S	-	1,534	(167)	-	-	1,367
UQIP New Growth Engine Venture No. 1	-	1	(1)	-	-	-
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 1	-	83	225	-	-	308
UQIP Future Generation Investment Fund Partnership No. 1	-	687	63	-	(78)	672
UQIP Energy Fusion Investment Fund Partnership	-	1,142	(12)	-	59	1,189
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	-	632	(37)	-	-	595

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	2019					
	Beginning balance	Acquisition/disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
2019 UQIP Innovative Growth Follow-on Fund Partnership	-	876	(9)	-	(16)	851
Aegis Real Asset Solar Professional Investment Private Asset Fund No.1	-	2,142	-	-	-	2,142
KC Co., Ltd.	-	-	-	-	-	-
Investments in joint venture:						
M-park Capital Co., Ltd.	3,083	-	(197)	-	-	2,886
	<u>₩ 465,099</u>	<u>₩ 81,974</u>	<u>₩ 13,106</u>	<u>₩ (9,196)</u>	<u>₩ 125</u>	<u>₩ 551,108</u>

Financial information of associates and joint venture as of December 31, 2020 and 2019, is as follows:

(In millions of Korean won)

	2020					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
Investments in associates:						
Orion Mezzanine Multi-strategy Professional Private Fund	₩ 15,195	₩ 39	₩ 15,156	₩ 2,261	₩ 1,917	₩ 1,917
ANDA Mezzanine Professional Security Investment Trust No. 7	34,855	-	34,855	10,244	4,488	4,488
BNK Ocean Business	7,538	-	7,538	4	(212)	(212)
BSK No. 9 Youth Startup Investment Association	13,013	4	13,009	3	(351)	(351)
BNK Inter-Value Technology Finance Investment Association No. 1	7,400	37	7,363	-	(37)	(37)
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st	191,481	80,316	111,165	5,258	2,827	2,827
NH-Amundi Enhanced Bond Private Securities Investment Trust	288,532	154,819	133,713	6,339	3,452	3,452
Hana UBS Professional Investment Private Security Investment Trust No. 7 (Bond)	156,157	53,521	102,636	3,689	2,635	2,635
KB Leaders Professional Investment Private Security Investment Trust No. 12	135,843	33,120	102,723	3,599	2,723	2,723

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	2020					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
KB Leaders Professional Investment Private Security Investment Trust No. 15	208,728	56,920	151,808	2,702	1,808	1,808
DGB Professional Investment Private Security Investment Trust No. 28	158,791	77,614	81,177	1,907	1,177	1,177
KIAMCO KDB Ocean Value-up Professional Private Special Asset Fund No. 12	10,377	7	10,370	492	492	492
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15	28,644	1	28,643	1,455	1,455	1,455
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	12,668	488	12,180	204	202	202
Mirae Asset Triumph Professional Investment Private Security Investment Trust No. 4 (Bond/Derivatives)	91,318	29,457	61,861	3,782	1,346	1,346
Samsung Rafael Professional Investment Private Security Investment Trust No. 1 (Bond/Derivatives)	272,932	170,029	102,903	4,892	2,904	2,904
Samsung Rafael Professional Investment Private Security Investment Trust No. 3 (Bond/Derivatives)	246,826	146,431	100,395	1,598	397	397
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	211,958	109,714	102,244	10,131	2,244	2,244
Aegis Real Asset Solar Professional Investment Private Asset Fund No. 1	33,536	363	33,173	-	-	-
Consus_Clean Water_Private Special Asset Fund-1	21,778	25	21,753	274	250	250
Kiwoom Frontier Private Securities Investment Trust 11th	201,629	99,922	101,707	2,541	1,707	1,707
Kiwoom Frontier Private Securities Investment Trust 12th	272,405	120,229	152,176	1,068	833	833
Petra 7 alpha Private Equity Partnership	48,561	10	48,551	3	(366)	(366)

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	2020					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
Hana UBS Professional Investment Private Security Investment Trust No. 6	139,214	76,316	62,898	2,676	1,898	1,898
Heungkuk Discretionary Investment Specialized Private Equity Type 2	426,934	245,421	181,513	7,019	668	668
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	55,847	29	55,818	372	326	326
VI Holding Company Plus Securities Fund No. 1	15,645	16	15,629	3,142	3,122	3,122
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 8th	115,456	55,213	60,243	350	244	244
UQIP Future Generation Investment Fund Partnership No. 1	10,298	292	10,006	4,091	3,725	3,727
UQIP Energy Fusion Investment Fund Partnership	39,279	692	38,587	1,790	(430)	(403)
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 1	2,260	801	1,459	-	(604)	(594)
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	13,630	115	13,515	1,024	759	761
2019 UQIP Innovative Growth Follow-on Fund Partnership	18,984	92	18,892	361	(3)	6
BNK Fisheries Investment Association No. 1	6,942	95	6,847	3	(159)	(153)
BNK Winning Target Convertible Securities Investment Trust No. 1	672	-	672	1,168	789	379
KC Co., Ltd.	2,084	1,839	(2,282)	6,151	(368)	(712)
Investments in joint venture:						
M-park Capital Co., Ltd.	16,460	521	15,939	6,459	(2,132)	(2,125)
	<u>₩ 3,533,870</u>	<u>₩ 1,514,508</u>	<u>₩ 2,016,835</u>	<u>₩ 97,052</u>	<u>₩ 39,726</u>	<u>₩ 39,035</u>

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	2019											
	Current assets		Current liabilities		Equity		Operating income		Operating profit (loss) from continuing operations		Total comprehensive income (loss)	
Investments in associates:												
BNK Winning Securities Investment Trust	₩	32,880	₩	1,156	₩	31,724	₩	6,709	₩	2,421	₩	2,421
Orion Mezzanine Multi-strategy Professional Private Fund		13,125		31		13,094		299		(9)		(9)
ANDA Mezzanine Professional Security Investment Trust No. 7		52,004		-		52,004		211		201		201
BNK Yeoido Core Office Professional Private Real Estate Investment Type No. 2		119,974		1		119,973		5		(27)		(27)
HDC Presto Private Securities Investment Trust 8 th		200,915		99,017		101,898		3,423		1,898		1,898
IBK Private Securities Investment Trust S2		252,744		120,530		132,214		5,032		2,214		2,214
NH-Amundi Enhanced Bond Private Securities Investment Trust		264,329		131,779		132,550		5,320		2,550		2,550
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1 st		196,124		85,295		110,829		5,719		4,416		4,416
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 6 th		194,774		94,466		100,308		460		308		308
Samsung Repo Professional Connection Private Securities Investment Trust 1 st		241,876		141,235		100,641		5,811		4,261		4,261
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2		3,440		486		2,954		37		36		36
KIAMCO KDB Ocean Value-up Professional Private Special Asset Fund No. 12		12,397		8		12,389		790		787		787
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 13		31,722		63		31,659		351		304		304
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15		33,910		390		33,520		1,250		1,234		1,234
Consus Clean Water Private Special Asset Fund-1		23,416		26		23,390		295		269		269
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2		171,381		69,238		102,143		7,447		2,143		2,143

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	2019					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
Yuri Repo Alpha Private Securities Investment Trust 1st	174,082	83,016	91,066	2,810	1,405	1,405
Kiwoom Frontier Private Securities Investment Trust 11 th	241,091	138,332	102,759	3,322	1,914	1,914
Kiwoom Frontier Private Securities Investment Trust 12 th	232,233	130,126	102,107	526	723	723
Petra 7 alpha Private Equity Partnership	49,054	128	48,926	19	(1,274)	(1,274)
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	54,410	28	54,382	300	251	251
BNK Smart Korea Private investment Trust	7,261	31	7,230	8,693	(747)	(747)
BNK GO Professional Private Investment No. 1 C-S	7,435	53	7,382	11,979	(1,946)	(1,946)
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 1	2,854	801	2,053	4	(1)	(1)
UQIP Future Generation Investment Fund Partnership No. 1	13,785	353	13,432	3,629	1,571	1,571
UQIP Energy Fusion Investment Fund Partnership	40,174	540	39,634	20	(6,994)	(6,994)
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	9,032	105	8,927	-	(297)	(297)
2019 UQIP Innovative Growth Follow-on Fund Partnership	5,535	89	5,446	-	(209)	(209)
Aegis Real Asset Solar Professional Investment Private Asset Fund No. 1	8,569	4	8,565	1	1	1
KC Co., Ltd.	1,625	1,996	(371)	6,708	(688)	(774)
Investments in joint venture:						
M-park Capital Co., Ltd.	18,784	747	18,037	8,907	(392)	(392)
	<u>₩ 2,710,935</u>	<u>₩ 1,100,070</u>	<u>₩ 1,610,865</u>	<u>₩ 90,077</u>	<u>₩ 16,323</u>	<u>₩ 16,237</u>

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The reconciliations from the net assets of associates and joint venture based on the ownership ratio of the Group to its corresponding book amount of investments in associates and joint venture as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		2020			
		Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (A*B)	Book amount
Investments in associates:					
Orion Mezzanine Multi-strategy Professional Private Fund	₩	15,156	38.16	₩ 5,783	₩ 5,783
ANDA Mezzanine Professional Security Investment Trust No. 7		34,855	32.98	11,496	11,496
BNK Ocean Business		7,538	34.19	2,577	2,577
BSK No. 9 Youth Startup Investment Association		13,009	29.94	3,895	3,895
BNK Inter-Value Technology Finance Investment Association No. 1		7,363	34.32	2,527	2,527
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st		111,165	27.23	30,269	30,269
NH-Amundi Enhanced Bond Private Securities Investment Trust		133,713	23.49	31,410	31,410
Hana UBS Professional Investment Private Security Investment Trust No. 7 (Bond)		102,636	30.00	30,791	30,791
KB Leaders Professional Investment Private Security Investment Trust No. 12		102,723	30.00	30,817	30,817
KB Leaders Professional Investment Private Security Investment Trust No. 15		151,808	20.00	30,362	30,362
DGB Professional Investment Private Security Investment Trust No. 28		81,177	37.50	30,441	30,441
KIAMCO KDB Ocean Value-up Professional Private Special Asset Fund No. 12		10,370	50.00	5,185	5,185
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15		28,643	50.00	14,322	14,322
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2		12,180	46.15	5,622	5,622
Mirae Asset Triumph Professional Investment Private Security Investment Trust No. 4 (Bond/Derivatives)		61,861	49.41	30,566	30,566

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	2020			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (A*B)	Book amount
Samsung Rafael Professional Investment Private Security Investment Trust No. 1 (Bond/Derivatives)	102,903	50.00	51,452	51,452
Samsung Rafael Professional Investment Private Security Investment Trust No. 3 (Bond/Derivatives)	100,395	50.00	50,197	50,197
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	102,244	50.00	51,122	51,122
Aegis Real Asset Solar Professional Investment Private Asset Fund No. 1	33,173	25.00	8,293	8,293
Consus_Clean Water_Private Special Asset Fund-1	21,753	50.00	10,877	10,877
Kiwoom Frontier Private Securities Investment Trust 11th	101,707	50.00	50,853	50,853
Kiwoom Frontier Private Securities Investment Trust 12th	152,176	26.00	39,566	39,566
Petra 7 alpha Private Equity Partnership	48,551	21.79	10,579	10,579
Hana UBS Professional Investment Private Security Investment Trust No. 6	62,898	49.18	30,933	30,933
Heungkuk Discretionary Investment Specialized Private Equity Type 2	181,513	22.15	40,214	40,214
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	55,818	20.00	11,164	11,164
VI Holding Company Plus Securities Fund No. 1	15,629	20.05	3,133	3,133
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 8th	60,243	50.00	30,122	30,122
UQIP Future Generation Investment Fund Partnership No. 1	10,006	5.00	499	499
UQIP Energy Fusion Investment Fund Partnership	38,587	3.00	1,158	1,158
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 1	1,459	15.00	219	219
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	13,515	7.14	965	965
2019 UQIP Innovative Growth Follow-on Fund Partnership	18,892	15.63	2,952	2,952
BNK Fisheries Investment Association No. 1	6,847	10.00	685	685
BNK Winning Target Convertible Securities Investment Trust No. 1	672	31.42	211	211

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	2020			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (A*B)	Book amount
KC Co., Ltd.	(2,282)	41.69	-	-
Investments in joint venture:				
M-park Capital Co., Ltd.	15,939	30.00	4,782	3,175

(In millions of Korean won)

	2019			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (AXB)	Carrying amount
Investments in associates:				
BNK Winning Securities Investment Trust 1	₩ 31,724	29.49	₩ 9,354	₩ 9,355
Orion Mezzanine Multi-strategy Professional Private Fund	13,094	38.16	4,996	4,996
ANDA Mezzanine Professional Security Investment Trust No. 7	52,004	27.03	14,054	14,054
BNK Yeoido Core Office Professional Private Real Estate Investment Type No. 2	119,973	25.00	29,993	29,993
HDC Presto Private Securities Investment Trust 8th	101,898	40.00	40,759	40,759
IBK Private Securities Investment Trust S2	132,214	23.08	30,511	30,511
NH-Amundi Enhanced Bond Private Securities Investment Trust	132,550	23.08	30,588	30,588
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st	110,829	27.18	30,128	30,128
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 6th	100,308	30.00	30,092	30,092
Samsung Repo Professional Investment Private Security Investment Trust No. 1	100,641	50.00	50,321	50,321
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	2,954	46.17	1,364	1,364
KIAMCO KDB Ocean Value-up Professional Private Special Asset Fund No. 12	12,389	49.99	6,193	6,193
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 13	31,659	53.37	16,898	16,898
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15	33,520	50.00	16,760	16,760

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	2019			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (AXB)	Carrying amount
Consus_Clean Water_Private Special Asset Fund-1	23,390	50.00	11,695	11,695
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	102,143	50.00	51,071	51,071
Yuri Repo Alpha Private Securities Investment Trust 1st	91,066	44.86	40,853	40,853
Kiwoom Frontier Private Securities Investment Trust 11th	102,759	50.00	51,380	51,380
Kiwoom Frontier Private Securities Investment Trust 12th	102,107	49.58	50,627	50,627
Petra 7 alpha Private Equity Partnership	48,926	21.79	10,661	10,661
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	54,382	20.00	10,876	10,575
BNK Smart Korea Private investment Trust	7,230	28.57	2,066	2,224
BNK GO Professional Private Investment No.1 C-S	7,382	22.40	1,654	1,367
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 1	2,053	15.00	308	308
UQIP Future Generation Investment Fund Partnership No. 1	13,432	5.00	672	672
UQIP Energy Fusion Investment Fund Partnership	39,634	3.00	1,189	1,189
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	8,927	6.67	595	595
2019 UQIP Innovative Growth Follow-on Fund Partnership	5,446	15.63	851	851
Aegis Real Asset Solar Professional Investment Private Asset Fund No.1	8,565	25.00	2,142	2,142
KC Co., Ltd.	(371)	-	-	-
Investments in joint venture:				
M-park Capital Co., Ltd.	18,037	30.00	5,411	2,886

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17. PROPERTY AND EQUIPMENT:

Property and equipment as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 379,490	₩ -	₩ -	₩ 379,490
Building	660,864	(96,769)	-	564,095
Leasehold improvements	125,131	(97,741)	-	27,390
Equipment and vehicles	500,145	(407,821)	-	92,324
Construction in progress	31,425	-	-	31,425
Right-of-use assets	119,120	(60,428)	-	58,692
Others	26,171	-	(6,912)	19,259
	<u>₩ 1,842,346</u>	<u>₩ (662,759)</u>	<u>₩ (6,912)</u>	<u>₩ 1,172,675</u>

(In millions of Korean won)

	2019			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 283,344	₩ -	₩ -	₩ 283,344
Building	529,330	(85,103)	-	444,227
Leasehold improvements	125,906	(96,688)	-	29,218
Equipment and vehicles	476,561	(388,756)	-	87,805
Construction in progress	33,246	-	-	33,246
Right-of-use assets	111,618	(31,089)	-	80,529
Others	26,171	-	(6,912)	19,259
	<u>₩ 1,586,176</u>	<u>₩ (601,636)</u>	<u>₩ (6,912)</u>	<u>₩ 977,628</u>

Changes in property and equipment for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020						
	Beginning balance	Acquisition	Disposal	Reclassification	Depreciation	Others	Ending Balance
Land	₩ 283,344	₩ 683	₩ (621)	₩ 96,084	₩ -	₩ -	₩ 379,490
Building	444,227	3,595	(1,572)	133,233	(13,012)	(2,376)	564,095
Leasehold improvements	29,218	4,912	(585)	5,495	(11,145)	(505)	27,390
Equipment and vehicles	87,805	26,814	(408)	9,877	(34,817)	3,053	92,324
Construction in progress	33,246	50,384	-	(52,205)	-	-	31,425
Right-of-use assets	80,529	42,007	(8,514)	-	(33,639)	(21,691)	58,692
Others	19,259	-	-	-	-	-	19,259
	<u>₩ 977,628</u>	<u>₩ 128,395</u>	<u>₩ (11,700)</u>	<u>₩ 192,484</u>	<u>₩ (92,613)</u>	<u>₩ (21,519)</u>	<u>₩ 1,172,675</u>

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	2019				
	Beginning balance	Changes due to business combination	Changes in accounting policy	Acquisition	Disposal
Land	₩ 272,724	₩ -	₩ -	₩ 706	₩ (1,535)
Building	449,954	-	-	2,931	(1,110)
Leasehold improvements	29,712	-	-	4,999	(467)
Equipment and vehicles	93,141	61	-	22,501	(196)
Construction in progress	22,755	-	-	78,103	(294)
Right-of-use assets	-	78	55,770	68,071	(5,762)
Others	19,259	-	-	-	-
	<u>₩ 887,545</u>	<u>₩ 139</u>	<u>₩ 55,770</u>	<u>₩ 177,311</u>	<u>₩ (9,364)</u>

(In millions of Korean won)

	2019			
	Reclassifi- cation	Depreciation	Others	Ending Balance
Land	₩ 11,449	₩ -	₩ -	₩ 283,344
Building	3,641	(11,199)	10	444,227
Leasehold improvements	6,079	(11,374)	269	29,218
Equipment and vehicles	10,810	(37,814)	(698)	87,805
Construction in progress	(68,054)	-	736	33,246
Right-of-use assets	66	(33,492)	(4,202)	80,529
Others	-	-	-	19,259
	<u>₩ (36,009)</u>	<u>₩ (93,879)</u>	<u>₩ (3,885)</u>	<u>₩ 977,628</u>

Details of right-to-use assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Properties	Vehicles	Others	Total
Cost of right-of-use asset	₩ 102,973	₩ 2,221	₩ 4,024	₩ 109,218
Accumulated depreciation	(47,457)	(731)	(2,338)	(50,526)
Book amount of right-of-use asset	<u>₩ 55,516</u>	<u>₩ 1,490</u>	<u>₩ 1,686</u>	<u>₩ 58,692</u>

(In millions of Korean won)

	2019			
	Properties	Vehicles	Others	Total
Cost of right-of-use asset	₩ 102,683	₩ 3,056	₩ 2,532	₩ 108,271
Accumulated depreciation	(26,004)	(522)	(1,216)	(27,742)
Book amount of right-of-use asset	<u>₩ 76,679</u>	<u>₩ 2,534</u>	<u>₩ 1,316</u>	<u>₩ 80,529</u>

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18. INTANGIBLE ASSETS:

Intangible assets as of December 31, 2020 and 2019, consisted of the following:

(In millions of Korean won)

	2020			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book amount
Software	₩ 93,472	₩ (61,260)	₩ -	₩ 32,212
Goodwill	50,398	-	(22,057)	28,341
Core deposits	177,470	(112,055)	(1,891)	63,524
Others	428,303	(273,383)	(361)	154,559
	<u>₩ 749,643</u>	<u>₩ (446,698)</u>	<u>₩ (24,309)</u>	<u>₩ 278,636</u>

(In millions of Korean won)

	2019			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book amount
Software	₩ 223,217	₩ (172,611)	₩ -	₩ 50,606
Goodwill	50,518	-	(22,057)	28,461
Core deposits	177,470	(94,537)	(1,891)	81,042
Others	232,868	(126,239)	(361)	106,268
	<u>₩ 684,073</u>	<u>₩ (393,387)</u>	<u>₩ (24,309)</u>	<u>₩ 266,377</u>

Changes in intangible assets for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020						
	Beginning balance	Acquisition	Disposal	Reclassification	Amortization	Changes in foreign currency and others	Ending Balance
Software	₩ 50,606	₩ 8,706	₩ -	₩ (15,802)	₩ (11,203)	₩ (95)	₩ 32,212
Goodwill	28,461	-	-	-	-	(120)	28,341
Core deposits	81,042	-	-	-	(17,518)	-	63,524
Others	106,268	49,706	(412)	36,405	(37,522)	114	154,559
	<u>₩ 266,377</u>	<u>₩ 58,412</u>	<u>₩ (412)</u>	<u>₩ 20,603</u>	<u>₩ (66,243)</u>	<u>₩ (101)</u>	<u>₩ 278,636</u>

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	2019				
	Beginning balance	Changes due to business combination	Acquisition	Disposal	Reclassification
Software	₩ 42,626	₩ 3	₩ 9,958	₩ (74)	₩ 21,117
Goodwill	26,025	2,436	-	-	-
Core deposits	98,559	-	-	-	-
Others	104,442	-	48,877	(66)	(13,740)
	<u>₩ 271,652</u>	<u>₩ 2,439</u>	<u>₩ 58,835</u>	<u>₩ (140)</u>	<u>₩ 7,377</u>

(In millions of Korean won)

	2019			
	Amortization	Impairment loss	Changes in foreign currency and others	Ending Balance
Software	₩ (22,838)	₩ -	₩ (186)	₩ 50,606
Goodwill	-	-	-	28,461
Core deposits	(17,517)	-	-	81,042
Others	(33,297)	(71)	123	106,268
	<u>₩ (73,652)</u>	<u>₩ (71)</u>	<u>₩ (63)</u>	<u>₩ 266,377</u>

Impairment test on goodwill is based on value-in-use calculated by the recoverable amount of a cash-generating unit, and these calculations use pre-tax cash flow projections based on financial budgets covering a five-year period. The cost of capital reflected in discounting estimated cash flows is determined as follows:

BNK Savings Bank Co., Ltd.

Input	Applied rate	Basis
Risk-free interest rate	1.51%	Average of one year from the valuation date
Corporate Beta	0.496	Reflecting capital structure of similar companies
Market rate premium (MRP)	12.27%	Average MRP of one year from the valuation date
Cost of capital	7.60%	

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BNK Asset Management Co., Ltd.

Input	Applied rate	Basis
Risk-free interest rate	1.43%	Average of one year from the valuation date
Corporate Beta	0.329	Reflecting capital structure of similar companies
Market rate premium (MRP)	13.56%	Average MRP of one year from the valuation date
Cost of capital	11.62%	

BNK Venture Capital Co., Ltd.

Input	Applied rate	Basis
Risk-free interest rate	1.43%	Average of one year from the valuation date
Corporate Beta	1.533	Reflecting capital structure of similar companies
Market rate premium (MRP)	13.56%	Average MRP of one year from the valuation date
Cost of capital	19.89%	

As a result of the impairment test of goodwill, it is determined that the book amount of the cash generating unit (CGU) does not exceed the recoverable amount.

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19. INVESTMENT PROPERTIES:

Investment properties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 489,998	₩ -	₩ -	₩ 489,998
Building	207,368	(32,018)	-	175,350
	<u>₩ 697,366</u>	<u>₩ (32,018)</u>	<u>₩ -</u>	<u>₩ 665,348</u>

(In millions of Korean won)

	2019			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 113,749	₩ -	₩ -	₩ 113,749
Building	130,133	(19,700)	-	110,433
	<u>₩ 243,882</u>	<u>₩ (19,700)</u>	<u>₩ -</u>	<u>₩ 224,182</u>

Rental income from investment properties is ₩14,811 million and ₩3,706 million for the years ended December 31, 2020 and 2019, respectively.

Expenses (including repairs and maintenance) directly related to the investment properties of which rental income was generated and no rental income was generated are ₩329 million.

The fair value and assessment method of investment properties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019	Valuation techniques	Input variables
Land	₩ 522,983	₩ 161,424	- The evaluation method of using officially assessed land pricing - Sales comparison approach	- Officially assessed land pricing - Sales history
Building	212,588	89,780	- Evaluation by the prime cost	- Repurchase cost - Durable years
	<u>₩ 735,571</u>	<u>₩ 251,204</u>		

Investment properties are classified as Level 3 and measured by independent professionals who have specialty and similar experience in the area of investment properties located recently.

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Changes in investment properties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020				
	Beginning balance	Acquisition	Reclassification	Depreciation	Ending Balance
Land	₩ 113,749	₩ 470,453	₩ (94,204)	₩ -	₩ 489,998
Building	110,433	186,281	(118,884)	(2,480)	175,350
	<u>₩ 224,182</u>	<u>₩ 656,734</u>	<u>₩ (213,088)</u>	<u>₩ (2,480)</u>	<u>₩ 665,348</u>

(In millions of Korean won)

	2019				
	Beginning balance	Acquisition	Reclassification	Depreciation	Ending Balance
Land	₩ 99,857	₩ 3	₩ 13,889	₩ -	₩ 113,749
Building	98,315	-	14,743	(2,625)	110,433
	<u>₩ 198,172</u>	<u>₩ 3</u>	<u>₩ 28,632</u>	<u>₩ (2,625)</u>	<u>₩ 224,182</u>

Operating lease

The Group entered into various operating lease agreements for land and buildings, which are classified as investment properties. The remaining periods of non-cancelable operating lease are within five years. The lease payments can be increased annually depending on the market condition under all operating lease agreements. The future minimum lease payments expected to be received in relation to the non-cancelable operating lease agreement for investment properties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Within one year	₩ 19,962	₩ 1,596
One year to five years	36,381	1,021
More than five years	2,389	-
	<u>₩ 58,732</u>	<u>₩ 2,617</u>

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20. OTHER ASSETS:

Other assets as of December 31, 2020 and 2019, consist of the following:

<i>(In millions of Korean won)</i>	2020	2019
Guarantee deposits	₩ 1,828	₩ 1,457
Articles for consumption	1,513	1,418
Prepaid expenses	60,672	39,132
Operating lease assets	1,167,801	964,460
Prepaid lease assets	19,620	17,471
Others	28,993	12,799
	<u>₩ 1,280,427</u>	<u>₩ 1,036,737</u>

Details of prepaid lease assets as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020	2019
Operating lease assets:		
Operating lease assets	₩ 1,533,570	₩ 1,245,040
Accumulated depreciation	(411,451)	(316,708)
Accumulated impairment loss	(1,081)	(3,400)
	<u>1,121,038</u>	<u>924,932</u>
Hedge lease assets:		
Hedge lease assets	12,412	12,412
Accumulated depreciation	(1,472)	(1,471)
Accumulated impairment loss	(10,940)	(10,941)
	<u>-</u>	<u>-</u>
Initial direct costs	46,763	39,527
Prepaid lease assets	19,620	17,472
	<u>₩ 1,187,421</u>	<u>₩ 981,931</u>

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Operating lease assets

Lessee of operating lease assets by industry based on the acquisition cost as of December 31, 2020 and 2019, is as follows:

	2020			2019		
	Transport equipment	General industrial equipment	Total	Transport equipment	General industrial equipment	Total
Cost	₩ 1,517,763	₩ 28,219	₩ 1,545,982	₩ 1,203,571	₩ 53,881	₩ 1,257,452
Accumulated depreciation	(399,843)	(13,080)	(412,923)	(286,677)	(31,502)	(318,179)
Accumulated impairment losses	-	(12,021)	(12,021)	-	(14,341)	(14,341)
Book amount	₩ 1,117,920	₩ 3,118	₩ 1,121,038	₩ 916,894	₩ 8,038	₩ 924,932

The totals of future minimum lease payments to the lessor at the end of the reporting period are as follows:

	2020	2019
Within one year	₩ 285,877	₩ 281,344
One year to five years	498,155	853,224
More than five years	207	-
	₩ 784,239	₩ 1,134,568

21. DEPOSITS:

Deposits as of December 31, 2020 and 2019, consist of the following:

	2020	2019
Deposits in Korean won:		
Demand deposits	₩ 12,604,889	₩ 8,960,973
Term deposits	65,371,021	64,042,260
Mutual installment deposits	2,072	2,198
Mutual installment for housing	4,373	5,997
Others	369	308
	₩ 77,982,724	₩ 73,011,736
Deposits in foreign currencies	1,329,266	1,148,337
Negotiable certificates of deposit	3,720,727	2,449,467
	₩ 83,032,717	₩ 76,609,540

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22. BORROWINGS:

Borrowings at amortized cost as of December 31, 2020 and 2019, consist of the following:

<i>(In millions of Korean won)</i>	<u>Annual interest rate (%)</u>			2020		2019
	Minimum	Maximum				
Borrowings in Korean won:						
The BOK	0.25	0.62	₩	1,053,041	₩	595,750
Others	0.10	3.40		3,227,962		2,120,809
				<u>4,281,003</u>		<u>2,716,559</u>
Borrowings in foreign currencies:						
Overdraft on our account	-	-		12,092		65,664
Banks	0.15	11.80		490,466		460,235
Relending loans	0.52	0.57		17,843		51,777
Others	0.43	1.82		311,700		348,501
				<u>832,101</u>		<u>926,177</u>
Call money	0.15	3.60		64,421		47,172
Bonds sold under repurchase agreement:						
Korean won	0.25	1.67		1,595,736		1,284,623
Foreign currencies	0.35	0.35		27,411		27,650
				<u>1,623,147</u>		<u>1,312,273</u>
Bills sold	0.25	0.86		24,967		25,201
Deferred expenses from borrowings				(118)		(234)
			₩	<u>6,825,521</u>	₩	<u>5,027,148</u>

Borrowings at fair value through profit or loss as of December 31, 2020 and 2019, consist of the following:

<i>(In millions of Korean won)</i>	<u>Annual interest rate (%)</u>			2020		2019
	Minimum	Maximum				
Securities sold	-	-	₩	10,222	₩	52,080

Details of borrowings of financial institution as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020			
	The BOK	Other banks	Others	Total
Borrowings in Korean won	₩ 1,053,041	₩ 721,377	₩ 1,281,272	₩ 3,055,690
Borrowings in foreign currencies	-	814,258	17,843	832,101
Call money	-	64,421	-	64,421
Bonds sold under repurchase agreement	-	68,099	846,134	914,233
	<u>₩ 1,053,041</u>	<u>₩ 1,668,155</u>	<u>₩ 2,145,249</u>	<u>₩ 4,866,445</u>

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(In millions of Korean won)

	2019			
	The BOK	Other banks	Others	Total
Borrowings in Korean won	₩ 595,750	₩ 746,820	₩ 240,001	₩ 1,582,571
Borrowings in foreign currencies	-	874,400	51,777	926,177
Call money	-	47,172	-	47,172
Bonds sold under repurchase agreement	-	-	638,701	638,701
	₩ 595,750	₩ 1,668,392	₩ 930,479	₩ 3,194,621

23. DEBENTURES:

Debentures issued by the Group as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	Annual interest rate (%)		2020	2019
	Minimum	Maximum		
Debentures in Korean won:				
Unsecured coupon bond	0.83	3.43	₩ 9,145,000	₩ 7,622,519
Subordinated bond	3.05	4.18	1,500,000	1,950,000
Discounted present value			(10,116)	(9,431)
			10,634,884	9,563,088
Debentures in foreign currencies:				
Senior bond	2.51	4.85	329,753	344,599
Subordinated bond	3.63	3.63	272,000	289,450
Loss (gain) on fair value hedge			12,971	(9,135)
Discounted present value			(1,618)	(2,246)
			613,106	622,668
			₩ 11,247,990	₩ 10,185,756

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24. NET DEFINED BENEFIT LIABILITIES:

Defined benefit plan

The Group operates a retirement benefit plan, which is an arrangement whereby the Group provides benefits as a lump sum, based on current salary and tenure of employment provided to employees on or after termination of their service. The retirement benefit plan is normally described as a defined benefit plan and its own characteristics are as follows:

- The obligation of the Group is to pay existing and previous employees promised retirement benefits.
- The Group will have the actuarial risk due to the fact that actual retirement benefits exceed expected retirement benefits and investment risk.

The defined benefit obligation recognized in the consolidated financial statements is measured by an independent actuary. The Group uses the projected unit credit method in order to determine defined benefit obligation.

Actuarial assumptions and variables, such as market rate risk, wage rate risk, death rate risk, consumer price index, expected rate of return and others, are based on market information and historical data and are renewed annually. Profit or loss incurred from the change in actuarial assumptions and the difference between assumptions and actual results are recognized for the year.

As of December 31, 2020 and 2019, the amounts recognized in the consolidated statements of financial position related to postemployment benefits are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
Present value of funded defined benefit obligations	₩	629,414	₩	581,943
Fair value of plan assets		(571,952)		(497,407)
Net defined benefit liabilities	₩	<u>57,462</u>	₩	<u>84,536</u>

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Movements in the net defined benefit liabilities for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020		
	Present value of defined benefit obligation		Total
		Plan assets	
Beginning balance	₩ 581,943	₩ (497,407)	₩ 84,536
Current service cost	67,345	-	67,345
Interest expenses (interest revenues)	15,205	(13,159)	2,046
	<u>82,550</u>	<u>(13,159)</u>	<u>69,391</u>
Remeasurements:			
Expected return on plan assets	-	6,135	6,135
Actuarial losses arising from changes in demographic assumptions	3,130	-	3,130
Actuarial gains arising from changes in financial assumptions	(5,441)	-	(5,441)
Others	(6,860)	2	(6,858)
	<u>(9,171)</u>	<u>6,137</u>	<u>(3,034)</u>
Contributions from the employer	-	(91,310)	(91,310)
Benefits paid	(25,908)	23,787	(2,121)
Ending balance	₩ 629,414	₩ (571,952)	₩ 57,462

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(In millions of Korean won)	2019					
	Present value of defined benefit obligation		Plan assets		Total	
Beginning balance	₩	525,577	₩	(453,489)	₩	72,088
Current service cost		63,965		-		63,965
Interest expenses (interest revenues)		14,123		(13,381)		742
		78,088		(13,381)		64,707
Remeasurements:						
Expected return on plan assets		-		6,166		6,166
Actuarial gains arising from changes in demographic assumptions		(277)		-		(277)
Actuarial losses arising from changes in financial assumptions		7,047		-		7,047
Others		2,741		-		2,741
		9,511		6,166		15,677
Contributions from the employer		-		(66,554)		(66,554)
Benefits paid		(30,196)		28,828		(1,368)
Effect of business combination and business disposal		(1,037)		1,023		(14)
Ending balance	₩	581,943	₩	(497,407)	₩	84,536

Details of fair values of plan assets as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won and in percentage, %)	2020		2019	
	Amount	Ratio (%)	Amount	Ratio (%)
Time deposits	₩ 571,331	99.89	₩ 497,384	100.00
Others	621	0.11	23	0.00
	₩ 571,952	100.00	₩ 497,407	100.00

The significant actuarial assumptions as of December 31, 2020 and 2019, are as follows:

(In percentage, %)	2020	2019
Discount rate	1.89–3.05	1.81–2.94
Salary growth rate (including inflation)	1.42–6.31	1.20–6.06

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Assuming that all the other assumptions remain as they are at the end of the reporting period, the effect of the defined benefit obligation to changes in the principal assumptions is as follows:

<i>(In millions of Korean won)</i>		1% increase		1% decrease
Change in discount rate	₩	(59,290)	₩	69,783
Change in salary growth rate		69,985		(60,515)

The Group reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund.

The weighted-average duration of the defined benefit obligation is 11.32 years.

The expected maturity analysis of undiscounted pension benefits as of December 31, 2020, is as follows:

<i>(In millions of Korean won)</i>		Less than 1 year		Between 1-2 years		Between 2-5 years		More than 5 years		Total
Pension benefits	₩	18,546	₩	21,321	₩	94,011	₩	691,852	₩	825,730

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25. PROVISIONS:

Details of provisions for other liabilities and charges for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
Provision for acceptances and guarantees	₩	5,408	₩	6,148
Provision for unused credit limit		33,458		28,673
Financial guarantee contract liabilities		12,633		-
Provision for restoration costs		10,068		7,372
Provision for credit card point		1,374		1,689
Provision for litigation		312		458
Others		20,591		918
	₩	<u>83,844</u>	₩	<u>45,258</u>

Changes in provision for acceptances and guarantees and provision for unused credit limit for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020					
	12 months' expected credit losses		Expected lifetime credit losses		Total	
			Unrecognized impairment	Recognized impairment		
Beginning balance	₩	20,684	₩	11,999	₩	2,138
Transfer to 12 months' expected credit loss		3,704		(3,688)		(16)
Transfer to lifetime expected credit losses		(2,587)		2,587		-
Transfer to credit-impaired financial liabilities		(15)		(793)		808
Foreign currency translation and others		(12)		(3)		(46)
Others		1,327		1,138		2,448
		<u>23,101</u>		<u>11,240</u>		<u>5,332</u>
Provision		4,104		3,447		4,275
Ending balance	₩	<u>27,205</u>	₩	<u>14,687</u>	₩	<u>9,607</u>
					₩	<u>51,499</u>

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	2019			
	12 months' expected credit losses	Expected lifetime credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 18,827	₩ 10,562	₩ 4,531	₩ 33,920
Transfer to 12 months' expected credit loss	3,031	(3,010)	(21)	-
Transfer to lifetime expected credit losses	(928)	939	(11)	-
Transfer to credit-impaired financial liabilities	(9)	(25)	34	-
Foreign currency translation and others	15	4	3	22
	20,936	8,470	4,536	33,942
Provision (reversal)	(252)	3,529	(2,398)	879
Ending balance	₩ 20,684	₩ 11,999	₩ 2,138	₩ 34,821

Changes in other provisions for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020				
	Beginning balance	Increase	Decrease	Others	Ending balance
Provision for restoration costs	₩ 7,372	₩ 2,607	₩ (228)	₩ 317	₩ 10,068
Provision for credit card point	1,689	-	(315)	-	1,374
Provision for litigation	458	100	(458)	212	312
Others ¹	918	19,954	(2)	(279)	20,591
	₩ 10,437	₩ 22,661	₩ (1,003)	₩ 250	₩ 32,345

¹ As for the provisions related to the Lime Asset Management redemption deferral period, the Bank's sales of Lime Asset Management redemption deferral fund were ₩ 51.7 billion as of December 31, 2020, and ₩ 17.4 billion was recognized as provision. In addition, the transfer of financial guarantee contract liabilities that were classified as other liabilities to provisions are included in the increase.

(In millions of Korean won)

	2019				
	Beginning balance	Increase	Decrease	Others	Ending balance
Provision for restoration costs	₩ 6,790	₩ 143	₩ -	₩ 439	₩ 7,372
Provision for credit card point	1,774	147	(232)	-	1,689
Provision for litigation	-	458	-	-	458
Others	172	769	(7)	(16)	918
	₩ 8,736	₩ 1,517	₩ (239)	₩ 423	₩ 10,437

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26. OTHER LIABILITIES:

Other liabilities as of December 31, 2020 and 2019, consist of the following:

<i>(In millions of Korean won)</i>	2020		2019	
Other financial liabilities:				
Due to trust accounts	₩	442,187	₩	685,035
Due to fund accounts		602		370
Foreign exchange remittances pending		33,754		39,520
Prepaid card liabilities		12,667		11,403
Debit card liabilities		12,991		20,627
Deposits for letter of guarantees and others		353,655		299,908
Discounted present value		(15,607)		(16,424)
Accounts payable		639,232		767,618
Accrued expenses		655,445		710,920
Financial guarantee contract liabilities ¹		-		5,974
Agency business accounts		224,622		166,197
Unsettled domestic exchange liabilities		123,809		68,911
Deposits held by agency relationship		115,492		108,008
Guarantee deposits for securities subscription		14,251		7,865
Lease liabilities		53,055		68,399
Accrued marketable securities		581		136
Remittance pending		32		14
Others		340,805		130,396
		<u>3,007,573</u>		<u>3,074,877</u>
Other non-financial liabilities:				
Withholding taxes		17,871		19,343
Unearned revenues		57,182		43,293
Others		12,397		8,206
		<u>87,450</u>		<u>70,842</u>
	₩	<u>3,095,023</u>	₩	<u>3,145,719</u>

¹ During the year ended December 31, 2020, financial guarantee contract liabilities were reclassified from other liabilities to provisions.

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Lease liabilities by term structure as of December 31, 2020 and 2019, are as follows:

(In millions of
Korean won)

	2020					
	Less than 1 month	1 month – 3 months	3 – 12 months	1 year – 5 years	More than 5 years	Total
Lease liabilities	₩ 2,162	₩ 3,983	₩ 14,751	₩ 32,259	₩ 1,083	₩ 54,238

(In millions of
Korean won)

	2019					
	Less than 1 month	1 month – 3 months	3 – 12 months	1 year – 5 years	More than 5 years	Total
Lease liabilities	₩ 3,117	₩ 4,640	₩ 17,382	₩ 42,764	₩ 3,203	₩ 71,106

Cash outflow due to lease contracts entered into as of December 31, 2020 and 2019, is ₩28,409 million (including low-value assets of ₩1,366 million) and ₩29,892 million (including low-value assets of ₩1,234 million), respectively.

As described in Note 2, the Group applies a simple method that does not assess whether the rent discount as a direct result of COVID-19 is a lease modification or not. As a result, the amount recognized in profit or loss during the reporting period is ₩2,293 million to reflect changes in lease payments arising from the discount.

27. EQUITY:

(a) *Share capital*

As of December 31, 2020, the Group has 700 million shares authorized with a par value of ₩5,000, and 325,935,246 shares have been issued. The Parent Company's share capital as of December 31, 2020, amounts to ₩1,629,676 million.

(b) *Other paid-in capital*

Other paid-in capital as of December 31, 2020 and 2019, is as follows:

(In millions of Korean won)	2020	2019
Share premium	₩ 678,953	₩ 678,953
Other reserves	102,339	102,339
Treasury shares	(6,997)	(213)
Gain on disposal of treasury share	5,826	5,826
Loss on disposal of treasury share	(266)	(122)
Capital adjustment - other	(593)	-
	<u>₩ 779,262</u>	<u>₩ 786,783</u>

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(c) Hybrid equity securities

Details of hybrid equity securities issued by the Parent Company as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	Issue date	Maturity	Interest rate (%)	2020		2019	
Hybrid equity securities in Korean won	2015.06.24	2045.06.24	4.60	₩	-	₩	80,000
	2015.06.24	2045.06.24	5.10		30,000		30,000
	2015.08.31	2045.08.31	4.48		-		150,000
	2018.02.13	-	4.83		100,000		100,000
	2018.03.02	-	4.26		150,000		150,000
	2019.02.20	-	3.74		100,000		100,000
	2019.08.29	-	3.20		100,000		100,000
	2020.02.19	-	3.35		150,000		-
	2020.06.23	-	3.30		100,000		-
	2020.08.04	-	3.38		100,000		-
Issuance cost					(2,608)		(2,126)
				₩	827,392	₩	707,874

Hybrid equity securities classified as non-controlling equity as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	Issue date	Maturity	Interest rate (%)	2020		2019	
Hybrid equity securities in Korean won	2013.04.25	2043.04.25	4.75	₩	60,000	₩	60,000
	2013.05.27	2043.05.27	4.83		40,000		40,000
	2013.10.25	2043.10.25	5.55		90,000		90,000
	2013.11.07	2043.11.07	5.72		10,000		10,000
	2013.11.11	2043.11.11	6.00		37,000		37,000
	2013.11.28	2043.11.28	6.14		63,000		63,000
	2017.07.24	-	4.58		150,000		150,000
	2017.09.19	2047.09.19	4.79		150,000		150,000
	2018.05.04	-	4.50		100,000		100,000
	2018.06.26	-	4.65		100,000		100,000
	2019.04.29	-	3.60		100,000		100,000
Issuance cost					(2,543)		(2,543)
				₩	897,457	₩	897,457

The Group can exercise its right to early repayment after 5 or 10 years after issuing hybrid equity securities, and at the date of maturity, the contractual agreements allow the Group to indefinitely extend the maturity date with the same contractual terms. In addition, the Group decides not to pay the dividends of ordinary share at general shareholders' meeting; the Group may not pay interest on the hybrid equity securities.

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(d) Other components of equity

Other components of equity as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
Gain on valuation of financial instruments at fair value through other comprehensive income	₩	90,266	₩	126,722
Exchange differences on translation of foreign operations		(21,687)		902
Remeasurements of net defined benefit liabilities		(168,502)		(171,536)
Gain (loss) on valuation of hedges of net investments in foreign operations		8,730		(2,787)
Share of other comprehensive income of associates		(3,283)		(121)
Tax effects		25,945		14,296
	₩	<u>(68,531)</u>	₩	<u>(32,524)</u>

Changes in accumulated other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020					
	Beginning balance	Changes (excluded from reclassification)	Reclassification¹	Tax effects	Ending balance	
Gain on valuation of financial instruments at fair value through other comprehensive income	₩ 92,980	₩ (29,161)	₩ (7,296)	₩ 9,498	₩ 66,021	
Exchange differences on translation of foreign operations	613	(21,648)	-	3,212	(17,823)	
Remeasurements of net defined benefit liabilities	(124,032)	3,490	-	(1,658)	(122,200)	
Gain (loss) on valuation of hedges of net investments in foreign operations	(1,985)	11,517	-	(2,960)	6,572	
Share of other comprehensive income of associates	(100)	(2,768)	-	1,767	(1,101)	
	₩ <u>(32,524)</u>	₩ <u>(38,570)</u>	₩ <u>(7,296)</u>	₩ <u>9,859</u>	₩ <u>(68,531)</u>	

¹ The increase and decrease in financial asset valuation profit or loss at fair value through other comprehensive income is a change due to the period evaluation and the reclassification adjustments. The reclassification adjustments are changes in disposal and impairment losses during the current year.

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	2019				
	Beginning balance	Changes (excluded from reclassification)	Reclassification ¹	Tax effects	Ending balance
Gain on valuation of financial instruments at fair value through other comprehensive income	₩ 65,623	₩ 34,205	₩ 2,283	₩ (9,131)	₩ 92,980
Exchange differences on translation of foreign operations	(5,224)	5,915	-	(78)	613
Remeasurements of net defined benefit liabilities	(111,913)	(15,677)	-	3,558	(124,032)
Gain (loss) on valuation of hedges of net investments in foreign operations	575	(3,446)	-	886	(1,985)
Share of other comprehensive income of associates	(66)	(34)	-	-	(100)
	₩ (51,005)	₩ 20,963	₩ 2,283	₩ (4,765)	₩ (32,524)

¹ The increase and decrease in financial asset valuation profit or loss at fair value through other comprehensive income is a change due to the period evaluation and the reclassification adjustments. The reclassification adjustments are changes in disposal and impairment losses during the current year.

(e) Retained earnings

Retained earnings as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Reserve:		
Legal reserves ¹	₩ 663,825	₩ 595,504
Regulatory reserve for credit loss	543,903	490,074
Discretionary reserves	2,717,243	2,541,717
	3,924,971	3,627,295
Retained earnings before appropriation	1,636,054	1,564,609
	₩ 5,561,025	₩ 5,191,904

¹ Article 53 of The Financial Holding Company Act requires the Parent Company to appropriate at least 10% of profit for the period to legal reserve until such reserve equals 100% of its paid-up capital. This reserve is not available for payment of cash dividends; however, it can be used to reduce deficit or be transferred to capital.

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Regulatory reserve for credit loss

In accordance with the Regulations for Supervision of Financial Company Holding, if provision for impairment under K-IFRS for the accounting purpose do not exceed those for the regulatory purpose, the Group discloses such shortfall amount as regulatory reserve for credit loss. Due to the fact that regulatory reserve for credit loss is a discretionary reserve, amounts exceeding the existing reserve for credit loss are over the compulsory reserve for credit loss at the period-end date and are able to be reversed in profit. In case of accumulated deficit, the Group should set aside reserve for credit loss at the time when accumulated deficit is gone.

Regulatory reserve for credit loss as of December 31, 2020 and 2019, is as follows:

<i>(In millions of Korean won)</i>	2020		2019	
Provided reserve for credit loss ¹	₩	543,903	₩	490,074
Estimated additional (reversal of) reserve for credit losses for the year		(76,011)		53,829
Regulatory reserve for credit loss	₩	467,892	₩	543,903
Owners of the Parent Company	₩	467,892	₩	543,903
Non-controlling interests		-		-

¹ Provided reserve for credit loss as of December 31, 2020 and 2019, is the amount after appropriations of retained earnings.

Expected provision of reserve for credit losses, adjusted profit after the provision of regulatory reserve and adjusted earnings per share after the provision of regulatory reserve for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
Profit for the year of owners of the Parent Company	₩	519,315	₩	562,225
Reversal (provision) of reserve for credit losses		76,011		(53,829)
Adjusted profit after the provision of regulatory reserve ¹	₩	595,326	₩	508,396
Adjusted earnings per share after the provision of regulatory reserve ¹ <i>(in Korean won)</i>	₩	1,732	₩	1,482

¹ Profits for the year after the provision of reserve for credit losses are not in accordance with K-IFRS, but are calculated on the assumption that provision or reversal of reserve for credit loss is adjusted to the profit for the year of owners of the Parent Company. Earnings per share after provision of reserve for credit loss are presented net of dividends on hybrid equity securities.

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<i>(In millions of Korean won)</i>	2020		2019	
Dividends on hybrid equity securities	₩	(32,834)	₩	(25,496)
Adjusted profit after reflecting dividend effect		562,492		482,900
Weighted-average number of ordinary shares outstanding		324,723,957 shares		325,905,536 shares
Adjusted earnings per share after the provision of regulatory reserve <i>(in Korean won)</i>	₩	1,732	₩	1,482

Treasury shares

Details of acquisition of treasury shares as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
	Number of shares	Book amount	Number of shares	Book amount
Beginning balance	14,855	₩ 213	14,855	₩ 213
Acquisition ¹	1,503,577	6,997	-	-
Disposal	(14,855)	(213)	-	-
Ending balance	<u>1,503,577</u>	<u>₩ 6,997</u>	<u>14,855</u>	<u>₩ 213</u>

¹ In order to enhance shareholder value, we signed a treasury share trust contract with Korea Investment & Securities Co., Ltd. and acquired our own shares through the contract.

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28. NET INTEREST INCOME:

Net interest income, interest income and expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
Interest income				
Due from banks	₩	9,387	₩	11,075
Financial instruments at fair value through profit or loss		56,152		58,856
Financial instruments at fair value through other comprehensive income		77,793		87,439
Financial assets at amortized cost		159,914		157,709
Loans receivable		3,000,307		3,314,182
		<u>3,303,553</u>		<u>3,629,261</u>
Interest expense:				
Deposit liabilities		(774,888)		(1,070,063)
Borrowings		(67,268)		(95,380)
Debentures		(262,740)		(259,627)
Others		(14,116)		(17,417)
		<u>(1,119,012)</u>		<u>(1,442,487)</u>
Net interest income	₩	<u>2,184,541</u>	₩	<u>2,186,774</u>

29. NET COMMISSION INCOME:

Net commission income, commission income and expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
Commission income:				
Commission received	₩	478,273	₩	346,970
Guarantees		15,760		13,795
Credit card		10,214		8,878
Others		489		328
		<u>504,736</u>		<u>369,971</u>
Commission expenses:				
Commission paid		(80,994)		(64,299)
Credit card		(60,009)		(59,235)
		<u>(141,003)</u>		<u>(123,534)</u>
Net commission income	₩	<u>363,733</u>	₩	<u>246,437</u>

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30. GAIN OR LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:

Gain or loss on financial assets at fair value through profit or loss for the years ended December 31, 2020 and 2019, is as follows:

<i>(In millions of Korean won)</i>	2020	2019
Gain on financial assets at fair value through profit or loss:		
Gain on disposal of financial assets at fair value through profit or loss	₩ 239	₩ 286
Gain on sale of financial assets at fair value through profit or loss	106,620	75,835
Gain on valuation of financial assets at fair value through profit or loss	63,515	45,132
Dividend income	37,265	31,064
	<u>207,639</u>	<u>152,317</u>
Loss on financial assets at fair value through profit or loss:		
Loss on disposal of financial assets at fair value through profit or loss	(2,895)	(1,183)
Loss on sale of financial assets at fair value through profit or loss	(44,084)	(23,715)
Loss on valuation of financial assets at fair value through profit or loss	(37,061)	(25,917)
Purchase expenses of financial assets at fair value through profit or loss	(1)	(1)
	<u>(84,041)</u>	<u>(50,816)</u>
Net gain on financial assets at fair value through profit or loss	<u>₩ 123,598</u>	<u>₩ 101,501</u>

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31. GAIN OR LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME:

Gain or loss on financial assets at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, is as follows:

<i>(In millions of Korean won)</i>	2020	2019
Gain on financial assets at fair value through other comprehensive income:		
Gain on sale of financial assets at fair value through other comprehensive income	₩ 35,396	₩ 14,531
Reversal of impairment loss	86	143
Dividend income	4,676	4,738
	<u>40,158</u>	<u>19,412</u>
Loss on financial assets at fair value through other comprehensive income:		
Loss on sale of financial assets at fair value through other comprehensive income	(9)	(329)
Impairment loss on financial assets at fair value through other comprehensive income	(1,350)	(756)
	<u>(1,359)</u>	<u>(1,085)</u>
Net gain on financial assets at fair value through other comprehensive income	₩ <u>38,799</u>	₩ <u>18,327</u>

32. GAIN OR LOSS ON FINANCIAL ASSETS AT AMORTIZED COST:

Gain or loss on financial assets at amortized cost for the years ended December 31, 2020 and 2019, is as follows:

<i>(In millions of Korean won)</i>	2020	2019
Gain on financial assets at amortized cost:		
Gain on sale of financial assets at amortized cost	₩ -	₩ 18
Reversal of impairment loss on financial assets at amortized cost	266	177
	<u>266</u>	<u>195</u>
Loss on financial assets at amortized cost:		
Loss on sale of financial assets at amortized cost	-	(10)
Impairment loss on financial assets at amortized cost	(1,669)	(495)
	<u>(1,669)</u>	<u>(505)</u>
Net loss on financial assets at amortized cost	₩ <u>(1,403)</u>	₩ <u>(310)</u>

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33. PROVISION FOR CREDIT LOSS:

Provision for credit loss for the years ended December 31, 2020 and 2019, is as follows:

<i>(In millions of Korean won)</i>	2020	2019
Reversal of provision for credit loss and others:		
Reversal of provisions:		
Reversal of provision for impairment	₩ 2,666	₩ 5
Reversal of provision for credit loss on acceptances and guarantees	1,614	351
Reversal of provision for credit loss on financial guarantee contract	164	133
Reversal of provision for credit loss on unused credit limits	477	1,215
	4,921	1,704
Gain on disposal of loans receivable	108,205	149,641
Gain on loans receivable at fair value through profit or loss	129	977
	113,255	152,322
Contribution to provision for credit loss and others:		
Contribution to provisions:		
Impairment loss	(439,559)	(421,720)
Contribution to provision for credit loss on acceptances and guarantees	(935)	-
Contribution to provision for credit loss on unused credit limits	(5,262)	(2,445)
Contribution to provision for credit loss on financial guarantee contract	(7,884)	(2,010)
	(453,640)	(426,175)
Loss on disposal of loans receivable	(27,207)	(50,217)
Loss on loans receivable at fair value through profit or loss	-	(200)
	(480,847)	(476,592)
Contribution to provision for credit loss	₩ (367,592)	₩ (324,270)

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34. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020	2019
Employee benefits:		
Salaries	₩ 655,854	₩ 573,390
Employee benefit expenses	159,717	149,092
Postemployment benefits	70,481	64,892
Termination benefits	93,232	18,089
	<u>979,284</u>	<u>805,463</u>
Rent	12,820	12,924
Business promotion expenses	20,161	23,290
Depreciation	95,093	96,504
Amortization	66,243	73,652
Taxes and dues	45,975	43,239
Other administrative expenses	<u>217,152</u>	<u>218,293</u>
	<u>₩ 1,436,728</u>	<u>₩ 1,273,365</u>

(a) Share-based Payments

The Group has granted share-based payments to its executives and employees, and measured the cost of the share options by a fair value approach. The share-based payments is an incentive plan that sets, on grant date, the maximum number of shares that can be awarded. Actual shares to be granted is determined and paid in cash in accordance with achievement of performance targets over the vesting period.

The performance compensation linked to short-term performance and long-term performance for the chairman, the bank president and the other executives shall be paid in cash in the following year of evaluation period, and the remaining compensations shall be deferred in connection with the share price.

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The terms and conditions of granted share options as of December 31, 2020, are as follows:

i) Linked to short-term performance

- Initially granted

<i>(In shares)</i>	2015	2016	2017	2018	2019	2020
Number of shares granted	63,195	60,774	156,399	248,706	344,048	536,826
Residual shares	6,418	11,338	24,231	85,977	229,391	536,826
Date of grant	2015-03-02	2016-03-03	2017-03-03	2018-02-28	2019-03-05	2020-02-27
Grant method	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment
Exercise price	₩0	₩0	₩0	₩0	₩0	₩0
Vesting conditions	Service period / Non-market performance	Service period / Non-market performance	Service period / Non-market performance	Service period / Non-market performance	Service period / Non-market performance	Service period / Non-market performance
Settlement method	Cash	Cash	Cash	Cash	Cash	Cash
Service period	1 year	1 year	1 year	1 year	1 year	1 year

ii) Linked to long-term performance

- Initially granted

<i>(In shares)</i>	2014	2015	2016	2017	2018	2019	2020
Number of shares granted	22,349	88,300	75,260	169,605	112,430	33,620	1,222,807
Residual shares	669	14,633	12,856	115,444	58,741	27,217	1,222,807
Date of grant	2014-01-01	2015-01-01	2016-01-01	2017-01-01	2018-01-01	2019-01-01	2020-01-01
Grant method	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment
Exercise price	₩0	₩0	₩0	₩0	₩0	₩0	₩0
Vesting conditions	Service period / Non-market performance	Service period / Non-market performance	Service period / Non-market performance	Service period / Non-market performance	Service period / Non-market performance	Service period / Non-market performance	Service period / Non-market performance
Settlement method	Cash	Cash	Cash	Cash	Cash	Cash	Cash
Service period	3 years	3 years	3 years	3 years	3 years	3 years	3 years

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- Deferred grants

<i>(In shares)</i>	Deferred grant in 2021	Deferred grant in 2022	Deferred grant in 2023
Residual shares ¹	38,683	22,957	13,695
Grant method	Cash-settled share- based payment	Cash-settled share- based payment	Cash-settled share- based payment
Exercise price	₩0	₩0	₩0
Settlement method	Cash	Cash	Cash
Vesting conditions	Vested	Vested	Vested

¹ The number of deferred grants is less than the granted shares after meeting the vesting conditions at the end of reporting period.

Changes in granted number of share options for the years ended December 31, 2020 and 2019, are as follows:

i) Linked to short-term performance

- Initially granted

<i>(In shares)</i>	2020	2019
Beginning balance	665,883	512,191
Granted	536,826	344,048
Exercised	264,019	190,356
Others	(44,509)	-
Ending balance	<u>894,181</u>	<u>665,883</u>

ii) Linked to long-term performance

- Initially granted

<i>(In shares)</i>	2020	2019
Beginning balance	391,077	298,151
Granted	1,222,807	33,620
Exercised	91,352	23,381
Others	(70,165)	82,687
Ending balance	<u>1,452,367</u>	<u>391,077</u>

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- Deferred grants

(In shares)

	Deferred grant	
	2020	2019
Beginning balance	95,508	78,313
Granted	27,650	23,146
Exercised	38,144	5,951
Others	(9,699)	-
Ending balance	75,315	95,508

The fair value of share options and the significant inputs into the option-pricing model as of December 31, 2020, are as follows:

(In Korean won)

	Option-pricing model	Share price	Exercise price	Price volatility	Expected option life	Risk-free interest rate	2020	
							Fair value	
Grant expected in 2021	Black-Scholes Model	₩ 5,680	-	45.41%	1 year	0.66%	₩	5,477
Grant expected in 2022	Black-Scholes Model	5,680	-	36.13%	2 years	0.89%		5,281
Grant expected in 2023	Black-Scholes Model	5,680	-	13.91%	3 years	0.97%		5,092
Linked to short-term performance								
Share granted in 2018	Black-Scholes Model	5,680	-	45.41%	1 year	0.66%		5,477
Share granted in 2019	Black-Scholes Model	5,680	-	36.13%	2 years	0.89%		5,281
Share granted in 2020	Black-Scholes Model	5,680	-	13.91%	3 years	0.97%		5,092

Expenses recognized related to the share option granted for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Linked to short-term performance (reversal)	₩ (1,602)	₩ 8,152
Linked to long-term performance (reversal)	4,107	(171)

Liabilities recognized related to the share option granted for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	2019
Accrued expenses (short-term performance)	₩ 5,303	₩ 11,727
Accrued expenses (long-term performance)	5,929	2,411

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35. OTHER OPERATING INCOME AND EXPENSES:

Gains and losses on foreign currency transactions for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020	2019
Gains on foreign currency transactions:		
Gain on foreign currency transactions	₩ 310,699	₩ 267,703
Foreign currency translation gains	81,283	125,346
	<u>391,982</u>	<u>393,049</u>
Losses on foreign currency transactions:	(296,013)	(238,307)
Loss on foreign currency transactions	<u>(41,170)</u>	<u>(120,041)</u>
Foreign currency translation losses	(337,183)	(358,348)
Net gain on foreign currency transactions	<u>₩ 54,799</u>	<u>₩ 34,701</u>

Net income and loss related to derivatives for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020	2019
Gains on financial derivatives:		
Gains on derivative transactions	₩ 181,053	₩ 185,020
Gains on valuation of derivatives	83,161	56,478
Gains on settlement of derivatives	156	17
	<u>264,370</u>	<u>241,515</u>
Losses on financial derivatives:		
Losses on derivative transactions	(202,981)	(178,523)
Losses on valuation of derivatives	(63,541)	(33,559)
Losses on settlement of derivatives	(32)	(8)
	<u>(266,554)</u>	<u>(212,090)</u>
Net gain related to derivatives	<u>₩ (2,184)</u>	<u>₩ 29,425</u>

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Other operating revenues and expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020	2019
Other operating revenue:		
Gain on fair value hedged items	₩ 2,593	₩ 3,642
Trust fees and commissions received from trust account	25,023	28,778
Reversal of other provisions	330	239
Operating lease income	351,804	281,660
Others	6,720	7,164
	<u>386,470</u>	<u>321,483</u>
Other operating expenses:		
Loss on fair value hedged items	(24,117)	(24,050)
Trust management fees	(91)	(91)
Credit card charges	(21)	(27)
Contribution to credit guarantee fund	(97,328)	(92,728)
Contribution to housing credit guarantee fund	(29,007)	(28,495)
Insurance fees on deposits	(102,711)	(97,286)
Other provisions	(2,596)	(1,517)
Operating lease expense	(316,826)	(256,968)
Others	(23,145)	(32,658)
	<u>(595,842)</u>	<u>(533,820)</u>
Net other operating losses	₩ <u>(209,372)</u>	₩ <u>(212,337)</u>

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36. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020	2019
Income from investments in associates		
Share of profit of associates	₩ 20,291	₩ 13,502
Gain on disposal of investments in associates	2,803	2,097
Share of loss of associates	(283)	(396)
Loss on disposal of investments in associates	(1,305)	(465)
	<u>21,506</u>	<u>14,738</u>
Non-operating income:		
Gain on disposal of property and equipment	804	1,840
Reversal of impairment loss on intangible assets	-	9
Rental income	15,252	3,706
Restoration income	173	85
Gain on collection of charge-offs	516	849
Gain on changes in leases	496	517
Other non-operating income	28,974	26,770
	<u>46,215</u>	<u>33,776</u>
Non-operating expenses:		
Expenses on collection of charge-offs	(411)	(467)
Loss on disposal of property and equipment	(665)	(831)
Loss on retirement of property and equipment	(677)	(77)
Loss on disposal of intangible assets	-	(146)
Donations	(37,597)	(37,507)
Loss on changes in leases	(120)	(152)
Loss on disposal of investments in subsidiaries	(30)	-
Restoration loss	(759)	(588)
Other non-operating expenses	(41,235)	(22,255)
	<u>(81,494)</u>	<u>(62,023)</u>
	<u>₩ (13,773)</u>	<u>₩ (13,509)</u>

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37. INCOME TAX EXPENSE:

Income tax expense for the years ended December 31, 2020 and 2019, consists of the following:

<i>(In millions of Korean won)</i>	2020		2019	
Current tax:	₩	194,895	₩	184,994
Changes in deferred tax liabilities by temporary difference:				
Opening balance of deferred tax liabilities		(61,435)		(47,088)
Ending balance of deferred tax liabilities		(27,030)		(61,435)
		(34,405)		14,347
Tax effect		160,490		199,341
Changes in deferred tax liabilities reflected directly in equity:		11,373		(4,914)
Income tax expense	₩	171,863	₩	194,427

Changes in accumulated temporary differences as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
	Accumulated temporary difference	Deferred tax assets (liabilities)	Accumulated temporary difference	Deferred tax assets (liabilities)
Temporary difference to be deducted:				
Loss on valuation of financial assets	₩ 79,692	₩ 20,481	₩ 126,713	₩ 32,565
Accrued expenses	90,463	23,249	54,090	13,901
Adjustment of acquisition value for debt-to-equity swap	74,337	19,104	72,089	18,527
Deferred loan origination fees	3,558	914	7,660	1,969
Provision for losses on unused credit limits	42,937	11,035	28,467	7,316
Honorary retirement benefits	42,137	10,829	18,089	4,649
Loss on valuation of derivative instruments	47,378	12,176	33,578	8,630
Deposits that the statute of limitation expired	16,168	4,155	7,934	2,039
Guarantee deposits for leases (discounted present value)	3,049	783	3,889	1,000
Unearned point revenues	12,572	3,231	12,678	3,258
Other provision	22,295	5,730	9,301	2,390
Loss on valuation of unsettled spot transactions	219	56	297	76
Provision for possible losses on acceptances and guarantees	5,902	1,517	6,934	1,782
Provision for retirement benefits disallowance	467,325	120,102	419,921	107,920
Unearned revenues (leasehold deposits provided)	67,910	17,453	59,748	15,355
Impairment of Available-for-sale Securities financial assets	1,056	271	11,957	3,073
Claim for reimbursement	66,924	17,200	66,924	17,200

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(In millions of Korean won)	2020		2019	
	Accumulated temporary difference	Deferred tax assets (liabilities)	Accumulated temporary difference	Deferred tax assets (liabilities)
Others	218,439	56,139	191,148	49,125
Tax deficit	1,812	466	4,953	1,273
	<u>1,264,173</u>	<u>324,891</u>	<u>1,136,370</u>	<u>292,048</u>
Temporary difference to be added:				
Interest receivables on securities	(154,630)	(39,740)	(174,108)	(44,746)
Revaluation of excess of land	(49,116)	(12,623)	(49,067)	(12,610)
Gain on valuation of debentures invested (adjustment of book amount)	(226,078)	(58,102)	(272,848)	(70,122)
Gain on valuation of derivative instruments	(59,642)	(15,328)	(29,880)	(7,679)
Investments in credit rehabilitation fund	(22,401)	(5,757)	(23,721)	(6,096)
Deferred loan origination costs	(146,055)	(37,536)	(145,118)	(37,295)
Guarantee deposits for leases (prepaid rent)	(2)	-	(123)	(32)
Discounted present value	(16,061)	(4,128)	(14,778)	(3,798)
Initial direct costs of lease	(106,202)	(27,294)	(396,212)	(101,826)
Remeasurements of defined benefit plan	(111,360)	(28,619)	33,263	8,549
Fair value adjustment by business combination	(81,094)	(20,841)	(99,977)	(25,694)
Others	<u>(396,582)</u>	<u>(101,953)</u>	<u>(202,721)</u>	<u>(52,134)</u>
	<u>(1,369,223)</u>	<u>(351,921)</u>	<u>(1,375,290)</u>	<u>(353,483)</u>
Net of temporary difference	<u>₩ (105,050)</u>	<u>₩ (27,030)</u>	<u>₩ (238,920)</u>	<u>₩ (61,435)</u>

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Details of temporary difference reflected directly in equity as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020		2019	
	Other comprehensive income	Tax effect	Other comprehensive income	Tax effect
Temporary difference reflected directly in equity:				
Loss on valuation of securities at fair value through other comprehensive income	₩ (90,266)	₩ (24,245)	₩ (126,722)	₩ (33,742)
Foreign currency translation gains (losses) on overseas operations	21,688	3,865	(902)	(289)
Remeasurements of defined benefit plan	168,502	46,302	171,536	47,505
Gain (loss) on valuation of hedges of net investments in foreign operations	(8,730)	(2,158)	2,787	801
Share of other comprehensive income of associates	3,283	2,182	121	21
	₩ 94,477	₩ 25,946	₩ 46,820	₩ 14,296

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2020 and 2019, is as follows:

(In millions of Korean won)	2020	2019
Profit before income tax	₩ 734,418	₩ 793,374
Taxes payable ¹	191,603	207,816
Tax effect of:		
Non-taxable income (₩ 79,391 million in 2020, ₩ 74,541 million in 2019)	(20,712)	(19,525)
Non-deductible expenses (₩19,867 million in 2020, ₩ 26,396 million in 2019)	5,183	6,914
Consolidated tax	(9,381)	(8,748)
Others	5,170	7,970
Income tax expense	₩ 171,863	₩ 194,427
Effective tax rate (income tax expense/profit before income tax)	23.40%	24.51%

¹ Taxes payable are calculated by applying income tax rate (11% for less than ₩200 million, 22% for ₩200 million to ₩20 billion, 24.2% for ₩20 billion to ₩300 billion and 27.5% for more than ₩300 billion) to profit before income tax.

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As of the current reporting date, the tax offset period for future taxable income (due to tax net operating loss carried forward and net operating loss for the current period) is as follows:

(In millions of Korean won)

Year incurred	Loss incurred	Lapse amount	December 31, 2020	Offset period
2011	₩ 4,620	₩ -	₩ 4,620	Until the end of 2021

Details of current tax liabilities (income tax payable) and current tax assets (income tax refundable) before offsetting as of December 31, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020	2019
Income tax refundable prior to offsetting	₩ 107,922	₩ 88,347
Tax payables prior to offsetting	194,160	191,936
Deferred tax liabilities	<u>₩ 86,238</u>	<u>₩ 103,589</u>

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38. EARNINGS PER SHARE:

Basic earnings per share are calculated by dividing profit attributable to owners of Parent Company by weighted-average number of ordinary shares outstanding for the years ended December 31, 2020 and 2019.

Weighted-average number of ordinary shares for the years ended December 31, 2020 and 2019, are as follows:

<i>(In shares)</i>	2020	2019
Number of ordinary shares outstanding	325,905,536	325,905,536
Acquisition of treasury shares	(1,191,969)	-
Disposal of treasury shares	10,390	-
Weighted-average number of ordinary shares outstanding	<u>324,723,957</u>	<u>325,905,536</u>

Basic earnings per share attributable to owners of the Parent Company for the years ended December 31, 2020 and 2019, are as follows:

<i>(In Korean won and in shares)</i>	2020	2019
Profit for the year attributable to owners of the Parent Company	₩ 519,315,306,578	₩ 562,224,650,247
Dividends on hybrid equity securities	<u>(32,833,750,000)</u>	<u>(25,495,972,222)</u>
Profit attributable to the ordinary equity holders	486,481,556,578	536,728,678,025
Weighted-average number of ordinary shares outstanding	<u>324,723,957</u>	<u>325,905,536</u>
Basic earnings per share	<u>₩ 1,498</u>	<u>₩ 1,647</u>

Diluted earnings per share for the years ended December 31, 2020 and 2019, are equal to the basic earnings per share because the Group did not have any potentially dilutive ordinary shares during the year.

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39. CONTINGENCIES AND COMMITMENTS:

Payment guarantees as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	Type	2020	2019
Confirmed acceptances and guarantees:			
Confirmed acceptances and guarantees in Korean won	Payment guarantee for loans	₩ 138,499	₩ 126,754
	Others	449,777	489,471
		<u>588,276</u>	<u>616,225</u>
Confirmed acceptances and guarantees in foreign currencies	Acceptances on letters of credit	5,627	8,529
	Acceptances on letters of guarantee for importers	15,424	19,488
	Others	284,182	269,284
		<u>305,233</u>	<u>297,301</u>
		<u>893,509</u>	<u>913,526</u>
Unconfirmed acceptances and guarantees:	Letters of credit	239,018	249,379
	Others	5,215	7,148
		<u>244,233</u>	<u>256,527</u>
Others:	Endorsed bill	19	20
		<u>₩ 1,137,761</u>	<u>₩ 1,170,073</u>

Confirmed and unconfirmed acceptances and guarantees by customer as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed acceptances and guarantees:				
Large corporate	₩ 275,269	30.81	₩ 313,945	34.37
Small- and medium-sized corporate ¹	594,135	66.49	562,377	61.56
Household	24,105	2.70	37,204	4.07
	<u>₩ 893,509</u>	<u>100.00</u>	<u>₩ 913,526</u>	<u>100.00</u>
Unconfirmed acceptances and guarantees:				
Large corporate	₩ 81,817	33.50	₩ 124,064	48.36
Small- and medium-sized corporate ¹	162,416	66.50	132,463	51.64
	<u>₩ 244,233</u>	<u>100.00</u>	<u>₩ 256,527</u>	<u>100.00</u>

¹ Small- and medium-sized corporate indicates SME in Article 2, Section 1, of small- and medium-sized Enterprise Basic Law.

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Confirmed and unconfirmed acceptances and guarantees by country as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed acceptances and guarantees:				
Korea	₩ 893,442	99.99	₩ 913,496	100.00
Others	67	0.01	30	0.00
	<u>₩ 893,509</u>	<u>100.00</u>	<u>₩ 913,526</u>	<u>100.00</u>
Unconfirmed acceptances and guarantees:				
Korea	₩ 243,694	99.78	₩ 254,592	99.25
China	268	0.11	1,935	0.75
Others	271	0.11	-	-
	<u>₩ 244,233</u>	<u>100.00</u>	<u>₩ 256,527</u>	<u>100.00</u>

Unused commitments as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020	2019
Corporates	₩ 8,834,039	₩ 8,066,341
Households	7,105,400	6,752,305
Credit card	5,001,109	4,745,406
Securities purchase agreement	1,026,759	557,452
	<u>₩ 21,967,307</u>	<u>₩ 20,121,504</u>

The Group has entered into loan agreement in Korean won of ₩ 561,000 million with KDB Development Bank and borrowing agreements in foreign currencies of JPY 3,000,000,000 and USD 105,800,000 with Sumitomo Mitsui Trust Bank and Shinhan Bank, respectively, to secure liquidity and diversify financing channels in preparation for the domestic bond market crunch.

Lawsuits

As of December 31, 2020 and 2019, the Group's major lawsuits are as follows:

<i>(In millions of Korean won)</i>	2020		2019	
	As a plaintiff	As a defendant	As a plaintiff	As a defendant
Number (cases)	50 cases	65 cases	49 cases	86 cases
Amount	₩ 194,781	₩ 101,375	₩ 186,511	₩ 109,762
Provisions related to these lawsuits		₩ 312		₩ 458

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The Group filed a lawsuit against Korea Deposit Insurance Corporation to seek compensation for loss (litigation value: ₩53.2 billion) as of the end of the reporting period. On December 15, 2017, the court ordered Korea Deposit Insurance Corporation to pay ₩52.6 billion to the Group in the first trial. In respect of the first court decision, Korea Deposit Insurance Corporation paid ₩53.2 billion in advance and the Group recognized the corresponding amount as other liabilities. As per the second trial held on January 24, 2019, the Group returned back certain amount to Korea Deposit Insurance Corporation, which is the case after the reporting period that requires amendment, and the amount of the liability has been revised including the interest paid after the end of the reporting period. In addition, although the Group returned the loss and filed an appeal for the final judgement in the Supreme Court on February 13, 2019, and the ultimate outcome of the appeal cannot be reasonably estimated, the management judges that the outcome of the suit does not exceed the amount of the liability recognized at the end of the reporting period.

Others

BNK Financial Group, Busan Bank, BNK Securities Co., Ltd. and their former and current employees were accused of a lawsuit with violation of the Financial Investment Services and Capital Markets Act in relation to anticompetitive transactions (BNK Financial Group Inc. second capital increase) by Busan District Public Prosecutor's Office on May 1, 2017. First court decision was made for the violation of certain former employees on January 9, 2018, and January 29, 2019. Second court decision was made on November 20, 2019, and February 5, 2020. Then, an appeal was made but the Supreme Court dismissed the appeal on May 28, 2020, and therefore, the trial of former and current employees was terminated. As the first trial of the entities including the Group and the former and current employees has been continued, the first court decision was made on October 30, 2020, by ruling a fine on the entities (₩ 100 million, ₩ 100 million and ₩ 50 million for the Group, Busan Bank and BNK Securities Co., Ltd., respectively) and the former and current employees. The Group recognized the fine as provisions. As of the end of the reporting period, the appeal against the first court decision is in progress and the final outcome of this case cannot be predicted.

Four former directors of the Busan Bank were charged with an allegation of violating Capital Market and Financial Investment Business Act by Busan District Prosecutor's office (suspicion of malpractice in unfair loan practices). However, all of the charges were found not guilty on February 17, 2021, and the prosecution appealed and is currently on a third trial.

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40. TRUST ACCOUNT (NOT AUDITED BY INDEPENDENT AUDITOR):

Financial information of trust account is prepared in accordance with K-IFRS 5004 '*Trust Account of Trust Vendor*' based on the Financial Investment Services and Capital Markets Act and Financial Industry Detailed Regulatory.

Financial summary of trust accounts for which the Group provides the guarantees for a fixed rate of return and the repayment of principal as of December 31, 2020 and 2019, is as follows:

(In millions of Korean won)	2020		2019	
	Total assets	Operating income	Total assets	Operating income
Trust accounts guaranteeing a fixed rate of return and the repayment of principal ¹	₩ 2,221	₩ 29	₩ 2,217	₩ 67
Trust accounts guaranteeing the repayment of principal ²	548,570	16,366	534,205	17,976
Mixed trust accounts ³	4,050	109	4,257	139
Performance-based trust Account ⁴	22,782,673	153,957	23,939,047	175,681
	<u>₩ 23,337,514</u>	<u>₩ 170,461</u>	<u>₩ 24,479,726</u>	<u>₩ 193,863</u>

¹ Unspecified money trust and development money trust

² Elderly living pension trust, personal pension trust, retirement trust, new personal pension trust and pension trust

³ Installment money in trust, household money in trust and corporate money in trust

⁴ Long-term household trust, new reserving trust, national stock trust, specified money trust, unit money trust, open type money trust, workers' preferential trust and retirement pension trust

The transactions between the Group and trust accounts for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)	2020	2019
Revenues:		
Gain on trust account	₩ 24,958	₩ 28,762
Retirement pension management fee	7,750	7,179
	<u>32,708</u>	<u>35,941</u>
Expenses:		
Interest expense related to borrowings from trust account	₩ 3,690	₩ 6,256

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Assets and liabilities of trust accounts as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020	2019
Assets:		
Accrued income	₩ 6,335	₩ 8,908
Retirement pension management fee	3,647	3,619
	<u>9,982</u>	<u>12,527</u>
Liabilities:		
Borrowings from trust account	442,187	685,035
Accrued expenses	315	657
Unearned revenue	102	282
	<u>₩ 442,604</u>	<u>₩ 685,974</u>

Details of trust accounts for which the Group provides the guarantees for a fixed rate of return and the repayment of principal as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020	2019
Trust accounts guaranteeing the repayment of principal:		
Elderly living pension trust	₩ 725	₩ 782
Personnel pension trust	169,684	173,651
Retirement trust	3,489	3,738
New personnel pension trust	5,079	5,211
Pension trust	360,008	339,091
	<u>538,985</u>	<u>522,473</u>
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:		
Unspecified monetary trust	21	20
Borrowings from trust account	21	20
Interest payable - borrowings from trust account	1	1
	<u>₩ 43</u>	<u>₩ 41</u>

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41. TRANSACTIONS WITH RELATED PARTIES:

All intercompany transactions, including intercompany receivables and payables, are eliminated while preparing consolidated financial statements.

Outstanding balances arising from sales/purchases of goods and services as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>		2020	2019
Associate / Associate of entities under common control			
BNK GO Professional Private Investment No.1 C-S	Other assets	₩ -	₩ 19
Heungkuk Discretionary Investment Specialized Private Equity Type 2	Other assets	2	-
BNK Winning Securities Investment Trust 1	Other assets	-	48
BNK Public Stock Plus 10	Other assets	-	30
BNK Smart Korea Private investment Trust	Other assets	-	29
UQIP Future Generation Investment Fund Partnership No. 1	Other assets	291	352
UQIP Energy Fusion Investment Fund Partnership	Other assets	679	529
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	Other assets	112	102
2019 UQIP Innovative Growth Follow-on Fund Partnership	Other assets	88	88
BNK Fisheries Investment Association No. 1	Other assets	94	-
BNK Inter-Value Technology Finance Investment Association No. 1	Other assets	21	-
BNK Teun Mid to Long-term Securities Investment Trust 1 (Bond) Class C-i	Other assets	-	74
Key management	Other liabilities	-	1
	Loans receivable	62	-
	Credit card receivable	2	2
	Deposit liabilities	458	634

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Transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>		2020	2019
Associate			
BNK GO Professional Private Investment No.1 C-S	Commission revenues ₩	- ₩	210
BNK Winning Securities Investment Trust 1	Commission revenues	-	305
BNK Public Stock Plus 10	Commission revenues	-	181
DGB Professional Investment Private Security Investment Trust No. 28	Commission revenues	2	-
BNK Ocean Business	Commission revenues	150	-
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 6th	Commission revenues	2	-
UQIP Future Generation Investment Fund Partnership No. 1	Commission revenues	360	352
UQIP Energy Fusion Investment Fund Partnership	Commission revenues	679	764
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 1	Commission revenues	-	23
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	Commission revenues	324	290
2019 UQIP Innovative Growth Follow-on Fund Partnership	Commission revenues	351	222
BNK Fisheries Investment Association No. 1	Commission revenues	160	-
BNK Inter-Value Technology Finance Investment Association No. 1	Commission revenues	21	-
BNK Smart Korea Private investment Trust	Commission revenues	-	99
ANDA Mezzanine Professional Security Investment Trust No. 7	Commission revenues	16	15
Orion Mezzanine Multi-strategy Professional Private Fund	Commission revenues	1	-
BNK Teun Mid to Long-term Securities Investment Trust 1 (Bond) Class C-i	Commission revenues	-	321
Key management	Commission expenses	1	-
	Interest expenses	2	7
	Interest income	2	4
	Other income	4	4
	Other expenses	1	2

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Fund transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		2020			
		Beginning balance	Increase	Decrease	Ending balance
Key management	Loans receivable	₩ -	₩ 62	₩ -	₩ 62
	Deposit liabilities	634	1,908	2,083	459

(In millions of Korean won)

		2019			
		Beginning balance	Increase	Decrease	Ending balance
Key management	Loans receivable	₩ -	₩ 253	₩ 253	₩ -
	Deposit liabilities	424	1,458	1,248	634

Details of payment guarantees provided by the Group to the related parties as of December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

Provided by	Provided to	2020	2019	Remark
BNK Capital	M-park Capital Co., Ltd.	₩ 5,000	₩ 5,000	General loan, credit grants ¹

¹ BNK Capital, a subsidiary of the Group, grants general loan limits amounting to ₩ 5,000 million to its joint venture, M-park Capital Co., Ltd. (formerly, Dongwha Capital) for the years ended December 31, 2020 and 2019.

Compensation for key management for the years ended December 31, 2020 and 2019, is as follows:

(In millions of Korean won)

	2020	2019
Short-term employee benefits	₩ 2,253	₩ 2,223
Share-based payment	1,129	1,334
Postemployment benefits	560	521
	<u>₩ 3,942</u>	<u>₩ 4,078</u>

The Group purchased loans receivable of ₩143,939 million (2019: ₩176,129 million) from M-park Capital Co., Ltd., a joint venture, for the years ended December 31, 2020 and 2019.

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42. STATEMENTS OF CASH FLOWS:

The Group's cash and cash equivalents in the consolidated statements of cash flows as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020	2019
Bank deposit	₩ 482,578	₩ 556,574
Foreign currencies	85,935	91,858
Deposits in local currency	3,369,601	2,855,608
Deposits in foreign currencies	566,139	643,591
Offshore due from banks in foreign currencies	816	868
	<u>4,505,069</u>	<u>4,148,499</u>
Due from banks (Note 7)	<u>(3,352,279)</u>	<u>(2,998,205)</u>
	<u>₩ 1,152,790</u>	<u>₩ 1,150,294</u>

Cash and cash equivalents in the consolidated statements of cash flows include cash, cash in other branches, deposits in the BOK and deposits in other financial institutions, and are subtracted from deposits with maturity within three months at acquisition and restricted deposits.

Details of material transactions without cash inflows and outflows as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	2020	2019
Reclassification between property and equipment, investment properties and intangible assets	₩ 192,485	₩ 36,008
Changes in accumulated other comprehensive income from valuation of financial assets	37,680	(36,006)
Remeasurements of net defined benefit liabilities	(9,171)	9,511
Acquisition of right-of-use assets	(9,383)	(115,187)

Changes in net debt for the years ended December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	At January 1, 2020	Cash flows	Exchange differences	Fair value hedge	Others	At December 31, 2020
Borrowings	₩ 5,079,228	₩ 1,928,301	₩ (8,368)	₩ -	₩ (163,418)	₩ 6,835,743
Debentures	<u>10,185,756</u>	<u>1,066,961</u>	<u>(32,054)</u>	<u>21,950</u>	<u>5,377</u>	<u>11,247,990</u>
	<u>₩ 15,264,984</u>	<u>₩ 2,995,262</u>	<u>₩ (40,422)</u>	<u>₩ 21,950</u>	<u>₩ (158,041)</u>	<u>₩ 18,083,733</u>

<i>(In millions of Korean won)</i>	At January 1, 2019	Cash flows	Exchange differences	Fair value hedge	Others	At December 31, 2019
Borrowings	₩ 5,615,889	₩ (611,729)	₩ (6,443)	₩ -	₩ 81,511	₩ 5,079,228
Debentures	<u>8,590,658</u>	<u>1,559,754</u>	<u>11,722</u>	<u>19,303</u>	<u>4,319</u>	<u>10,185,756</u>
	<u>₩ 14,206,547</u>	<u>₩ 948,025</u>	<u>₩ 5,279</u>	<u>₩ 19,303</u>	<u>₩ 85,830</u>	<u>₩ 15,264,984</u>

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43. DIVIDENDS:

Dividend to be paid in 2020 is ₩103,818 million (₩ 320 per share), and the dividend paid in 2019 is ₩117,331 million (₩ 360 per share).

A dividend in respect of the year ended December 31, 2020, of ₩320 per share, amounting to a total dividend of ₩103,818 million, is to be proposed to shareholders at the annual general meeting on March 26, 2021. These consolidated financial statements do not reflect this dividend payable.

44. UNCONSOLIDATED STRUCTURED ENTITIES:

The Group owns interests in unconsolidated structured entities where the Group does not have control in accordance with K-IFRS 1110. The natures of interests and risks are as follows:

Interests owned by the Group in unconsolidated structured entities has been classified per nature and purpose of each structured entity into structured financing and investment fund.

Unconsolidated structured entities classified as 'structured financing' include real estate project financing investment entity, infrastructure development entity and special-purpose entity for shipping and aviation financing. Each entity was incorporated as a separate entity to efficiently carry out the Group's business. The funds are raised through channels such as equity investments, loans from financial institutions and participating organizations. Structured financing is a way of funding large-scale businesses with risks. The structured financing invests in qualifying companies not based on credit or physical collateral of the Group leading the project, but the economic feasibilities of the specific project. Investors of the entity benefit from the income arising from the ongoing projects, and the Group recognizes interest income, income from valuation of equity investments and dividend income. Although an entity that provides funds, joint guarantees, unsubordinated credit offerings and others exists prior to the Group's financial support, if the funds are not collected by the predetermined schedule or if circumstances such as cessation of a project occur, the Group could be exposed to principal losses due to decrease in value of equity investments or losses arising from uncollectible loans.

Unconsolidated structured entities classified as 'investment fund' include investment trust company and private equity firm. The investment trust company delegates investment and management to fund managers according to the trust agreement and distributes operating profit to the investors. The private equity firm invests in equity securities through private placement in order to participate in management, enhance governance and others. The income from the investment is distributed to the investors. The Group, an investor to the investment fund, recognizes income from valuation of equity investments and dividend income in proportion to its share ratio. If the value of the private equity fund decreases, the Group will be exposed to the risk of principal losses.

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Total asset size of the unconsolidated structured entities, book amount for the line items as recognized in the consolidated financial statements, maximum exposure to loss and loss incurred for the years ended December 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020			
	Investment fund	Structured financing	Asset-backed securitization	Project financing
Total assets of unconsolidated structured entity	₩ 32,162,612	₩ 91,462,490	₩ 52,830,685	₩ 9,772,853
Recognized assets related to unconsolidated structured entities:				
Financial assets at fair value through profit or loss	1,040,129	217,681	-	-
Financial assets at amortized cost	-	-	633,769	-
Equity method investments	821,056	-	-	-
Loans and receivables	-	4,954,434	1,263	1,168,559
(Provision for impairment)	-	(39,106)	-	(7,143)
	<u>1,861,185</u>	<u>5,133,009</u>	<u>635,032</u>	<u>1,161,416</u>
Recognized liabilities related to unconsolidated structured entities:				
Financial guarantee contract	-	802	-	-
Provisions for debt guarantees	-	40	-	-
Maximum exposure to loss ¹				
Investments	1,861,185	5,133,009	635,032	1,161,416
Investment commitments	523,976	57,449	-	-
Loan commitments	-	1,656,950	-	-
Financial guarantee contract	-	202,614	-	-
Purchase commitment	-	135,000	365,000	-
	<u>2,385,161</u>	<u>7,185,022</u>	<u>1,000,032</u>	<u>1,161,416</u>
Loss on unconsolidated structured entity	₩ 9,070	₩ 33,631	₩ -	₩ -

¹ Maximum exposure to loss includes the amount of investment assets recognized on the statement of financial position, and the amount readily determinable when specific criteria of contracts including purchase agreement or credit grants are met.

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	2019			
	Investment fund	Structured financing	Asset-backed securitization	Project financing
Total assets of unconsolidated structured entity	₩ 11,920,472	₩ 193,341,536	₩ 46,754,410	₩ -
Recognized assets related to unconsolidated structured entities:	-	-	-	-
Financial assets at fair value through profit or loss	981,692	190,796	-	-
Financial assets at fair value through other comprehensive income	-	-	91,060	-
Financial assets at amortized cost	-	-	518,605	-
Equity method investments	345,455	-	-	-
Loans and receivables	-	4,401,562	-	686,619
(Provision for impairment)	-	(42,787)	-	(3,988)
	1,327,147	4,549,571	609,665	682,631
Recognized liabilities related to unconsolidated structured entities:	-	-	-	-
Financial guarantee contract	-	76	-	-
Provisions for debt guarantees	-	12	-	-
Maximum exposure to loss ¹	-	-	-	-
Investments	1,327,147	4,549,570	609,665	682,631
Investment commitments	80,030	7,035	-	-
Loan commitments	-	1,128,447	-	-
Financial guarantee contract	-	230,892	-	-
Purchase commitment	-	158,500	70,000	-
	1,407,177	6,074,532	679,665	682,631
Loss on unconsolidated structured entity	₩ 11,257	₩ 12,026	₩ 104	₩ -

¹ The maximum exposure to loss includes investment amounts recognized in the consolidated financial statements and the amounts that are determined in the future by meeting certain condition in the future based on the agreements of purchase, granting credit, etc.

45. SUBSEQUENT EVENTS:

In February 2021, a military coup broke out in Myanmar. BNK CAPITAL MYANMAR Co., Ltd. is located in Myanmar, as a subsidiary of the Group and its total assets as of December 31, 2020, are ₩75,949 million. At the end of the reporting period, the Group cannot reasonably estimate the impact of the coup in Myanmar on the future of the Group, and such impact is not reflected in the consolidated financial statements.